

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three and nine months ended May 31, 2017**

**June 28, 2017**

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## Advisories

The following Management's Discussion and Analysis ("MD&A"), dated June 28, 2017, should be read in conjunction with the unaudited interim Consolidated Financial Statements and Notes thereto for the quarter ended May 31, 2017 and the 2016 Annual Consolidated Financial Statements, the Notes thereto and related MD&A included in the Company's 2016 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 statements" within the meaning of applicable securities laws. Such statements include, but are not limited to:

- statements about future capital expenditures;
- asset acquisitions and dispositions;
- cost efficiencies;
- financial guidance for future performance;
- business and technology strategies and measures to implement strategies;
- statements about the Company's equity investments, joint ventures and partnership arrangements including any statements about write-downs, losses and liabilities;
- competitive strengths; and
- expansion and growth of the Company's business and operations and other goals and plans.

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They 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). 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:

- general economic conditions;
- interest;
- income tax and exchange rates;
- technology deployment;
- content and equipment costs;
- industry structure;
- conditions and stability;
- government regulation;
- the completion of any pending transactions (including the receipt of any regulatory approvals to complete any transactions); and
- the integration of recent acquisitions.

You should not place undue reliance on any forward-looking statements. Many 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:

- general economic, market and business conditions;
- changes in the competitive environment in the markets in which the Company operates and from the development of new markets for emerging technologies;
- industry trends, technological developments, and other changing conditions in the entertainment, information and communications industries;
- the Company’s ability to execute its strategic plans and capital projects;
- the Company’s ability to close any transactions;
- the Company’s ability to achieve cost efficiencies;
- technology, 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 report under the heading “Known events, trends, risks and uncertainties.”

The foregoing is not an exhaustive list of all possible 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.

The Company provides certain financial guidance for future performance as the Company believes that certain investors, analysts and others utilize this and other forward-looking information in order to assess

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the Company's expected operational and financial performance and as an indicator of its ability to service debt and pay dividends to shareholders. The Company's financial guidance 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.

## **Introduction**

### **Strategic update**

Shaw is focused to deliver long term growth and connect customers to the world through a best-in-class seamless connectivity experience. In 2016, Shaw positioned itself as a leading enhanced connectivity provider through the acquisition of Freedom Mobile (formerly, WIND Mobile). The addition of a wireless business enabled the Company to combine the power of fibre, coax, Wi-Fi and wireless networks to deliver a seamless experience of anytime and anywhere enhanced connectivity within its operating footprint. On June 13, 2017, Shaw announced that it has entered into a definitive agreement with Quebecor Media Inc. (“Quebecor”) to acquire 700 MHz and 2500 MHz wireless spectrum licences, the Company’s next step in executing on its long-term strategic plan which is centered on delivering exceptional customer experiences by leveraging and further developing a world-class converged network and providing leading technology through best-in-class strategic partners.

### **Spectrum acquisition**

The spectrum licences are being acquired for \$430 million and comprise Quebecor’s 10 MHz licences of 700 MHz spectrum in each of British Columbia, Alberta, and Southern Ontario, as well as 20 MHz licences of 2500 MHz spectrum in each of Vancouver, Edmonton, Calgary, and Toronto. The acquisition is subject to customary closing conditions and all necessary regulatory approvals from the Ministry of Innovation, Science and Economic Development Canada (ISED), and under the Competition Act. The acquisition will be funded using a combination of cash on hand and Shaw’s existing credit facility, and is expected to close in the summer of 2017.

Shaw believes this incremental investment in the wireless business, particularly with the addition of the 700 MHz spectrum, will materially improve the long-term wireless customer experience, and will further enable its ability to offer converged network solutions. Considering the acquisition of Freedom Mobile (formerly, WIND Mobile) in 2016, Shaw now has more synergistic investment opportunities as a leading enhanced connectivity provider within its Canadian footprint.

Capital expenditures associated with the deployment of the acquired spectrum are estimated to be approximately \$350 million. The Company expects most of the capital related to the network build to be incurred during fiscal 2018, which reinforces Shaw’s commitment to the wireless space, and improves its long-term wireless growth prospects.

### **Sale of ViaWest, Inc.**

On June 13, 2017, Shaw also announced that it entered a share purchase agreement with GI Partners portfolio company Peak 10 Holding Corporation (“Peak 10”) to sell 100% of its wholly-owned subsidiary ViaWest, Inc. (“ViaWest”). The purchase price of US\$1.675 billion (approximately \$2.3 billion) is comprised of all cash.

ViaWest was acquired by Shaw in 2014 marking a pivotal moment in Shaw’s history and provided a growth engine which has delivered, and continues to deliver, strong results. The North American colocation and managed services industry is consolidating and scale is becoming an important factor for continued long-term success.

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The transaction is subject to customary conditions, including U.S. regulatory approval and is expected to close by the end of fiscal 2017. The transaction is not subject to financing. Shaw expects to realize net cash proceeds from the sale of approximately \$900 million after the repayment of ViaWest level indebtedness of approximately US\$580 million, repayment of the US\$380 million Shaw credit facility borrowings associated with the original investment and subsequent INetU acquisition, and estimated transaction expenses and taxes.

Shaw's Business Infrastructure Services division, through ViaWest, provides hybrid IT solutions including colocation, cloud computing and security and compliance for North American enterprises. See selected financial and operational highlights of the Business Infrastructure Services division under "Discussion of Operations."

See "Outlook" for a discussion of the financial condition of the Company following the completion of the two transactions.

### **Shaw's world-class converged network**

Shaw's broadband network strategy provides flexibility, cost efficiency and a speed advantage that continues to support the success of its Internet offerings, including WideOpen Internet 150, the fastest widely available Internet speed provided in nearly every neighborhood across Shaw's wireline footprint. The combination of this exceptional service with the tremendous value and pricing stability offered through value plans have had a positive impact on customer retention. Shaw's wireline and wireless network roadmap continues to progress with the DOCSIS 3.1 and the LTE-Advanced network upgrades targeted for completion by the end of fiscal 2017.

LTE is now live across the Greater Toronto area, Hamilton, Vancouver, Edmonton and Calgary and LTE roaming recently launched in Canada and in the U.S. The handset lineup has continued to expand, with a total of nine handsets compatible with the AWS-3 LTE network, including LG, Samsung, Sony and ZTE. On April 25, 2017 Freedom Mobile launched another key enhancement with Wi-Fi calling, which enables calls to be made at no cost from outside its cellular calling area, or at indoor locations.

### **Global technology leader**

BlueSky TV is now available everywhere Shaw offers cable video. Western Canadians are now able to enjoy a revolutionary TV experience made possible by Shaw's strategic partnership with Comcast. The Company's partnerships with global technology leaders, such as Comcast, will allow it to continue to access leading-edge technology in the global communications industry.

The BlueSky TV experience is more than just a new guide and set-top-box, it is an elegant system that listens, learns and curates content to provide an exceptional viewing experience. Shaw is optimistic that BlueSky TV combined with WideOpen 150 and flexible TV packages will provide a compelling reason for consumers to stay and switch to Shaw.

### **Organizational initiatives**

In the quarter, the Company incurred a non-recurring restructuring charge in the amount of \$43 million. These charges were attributed primarily to employee related costs associated with the integration of Freedom Mobile and other organization rationalization initiatives. These initiatives included the announced closure of Shaw TV stations in Vancouver, Calgary and Edmonton and a planned realignment to integrate certain operational activities within the Consumer and Business Network Services divisions.

## Selected financial and operational highlights

### Basis of presentation

During the current quarter, 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, to an external party. 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 for the period ended May 31, 2017. On April 1, 2016, Shaw sold 100% of its wholly owned subsidiary Shaw Media Inc. to Corus Entertainment Inc. Accordingly, the operating results and operating cash flows for the previously reported Shaw Tracking business and Media division are presented as discontinued operations separate from the Company's continuing operations. This MD&A reflects the results of continuing operations, unless otherwise noted.

### Financial Highlights

<i>(millions of Canadian dollars except per share amounts)</i>	Three months ended May 31,			Nine months ended May 31		
	2017	2016	Change %	2017	2016	Change %
<b>Operations:</b>						
Revenue	<b>1,311</b>	1,275	2.8	<b>3,912</b>	3,553	10.1
Operating income before restructuring costs and amortization <sup>(1)</sup>	<b>550</b>	553	(0.5)	<b>1,625</b>	1,558	4.3
Operating margin <sup>(1)</sup>	<b>42.0%</b>	43.4%	(1.4pts)	<b>41.5%</b>	43.9%	(2.4pts)
Net income from continuing operations	<b>164</b>	74	>100.0	<b>400</b>	326	22.7
Income (loss) from discontinued operations, net of tax	<b>(31)</b>	630		<b>(30)</b>	760	
Net income	<b>133</b>	704	(81.1)	<b>370</b>	1,086	(65.9)
<b>Per share data:</b>						
Basic earnings per share						
Continuing operations	<b>0.33</b>	0.14		<b>0.80</b>	0.66	
Discontinued operations	<b>(0.06)</b>	1.30		<b>(0.06)</b>	1.55	
	<b>0.27</b>	1.44		<b>0.74</b>	2.21	
Diluted earnings per share						
Continuing operations	<b>0.33</b>	0.14		<b>0.80</b>	0.66	
Discontinued operations	<b>(0.06)</b>	1.30		<b>(0.06)</b>	1.54	
	<b>0.27</b>	1.44		<b>0.74</b>	2.20	
Weighted average participating shares outstanding during period (millions)	<b>492</b>	482		<b>490</b>	478	
Funds flow from continuing operations <sup>(2)</sup>	<b>392</b>	402	(2.5)	<b>1,227</b>	1,110	10.5
Free cash flow <sup>(1)</sup>	<b>132</b>	182	(27.5)	<b>436</b>	473	(7.8)

(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

	May 31, 2017	August 31, 2016	Change Three months ended		Change Nine months ended	
			May 31, 2017	May 31, 2016	May 31, 2017	May 31, 2016
<b>Consumer</b>						
Video – Cable	<b>1,663,710</b>	1,671,059	<b>12,921</b>	(27,482)	<b>(7,349)</b>	(71,293)
Video – Satellite	<b>776,825</b>	790,574	<b>6,531</b>	3,847	<b>(13,749)</b>	(15,082)
Internet	<b>1,838,964</b>	1,787,642	<b>20,892</b>	(8,760)	<b>51,322</b>	5,008
Phone	<b>930,066</b>	956,763	<b>(1,827)</b>	(14,861)	<b>(26,697)</b>	(51,561)
<b>Total Consumer</b>	<b>5,209,565</b>	5,206,038	<b>38,517</b>	(47,256)	<b>3,527</b>	(132,928)
<b>Business Network Services</b>						
Video – Cable	<b>53,522</b>	61,153	<b>47</b>	1,489	<b>(7,631)</b>	(14,954)
Video – Satellite	<b>30,991</b>	30,994	<b>(1,009)</b>	(2,734)	<b>(3)</b>	7
Internet	<b>172,709</b>	179,867	<b>(435)</b>	458	<b>(7,158)</b>	(2,104)
Phone	<b>319,637</b>	301,328	<b>7,253</b>	5,094	<b>18,309</b>	10,695
<b>Total Business Network Services</b>	<b>576,859</b>	573,342	<b>5,856</b>	4,307	<b>3,517</b>	(6,356)
<b>Wireless</b>						
Postpaid	<b>735,002</b>	667,028	<b>20,085</b>	639,997	<b>67,974</b>	639,997
Prepaid	<b>371,157</b>	376,260	<b>(111)</b>	363,472	<b>(5,103)</b>	363,472
<b>Total Wireless</b>	<b>1,106,159</b>	1,043,288	<b>19,974</b>	1,003,469	<b>62,871</b>	1,003,469
<b>Total Subscribers</b>	<b>6,892,583</b>	6,822,668	<b>64,347</b>	960,520	<b>69,915</b>	864,185

In the quarter, the Company continued its momentum of improving subscriber trends with consolidated RGU net gains of 64,347.

Consumer RGUs in the third quarter of fiscal 2017 increased by 38,517, a substantial improvement over the 47,256 RGU losses in the third quarter of fiscal 2016. The Consumer division’s net gains in the quarter included the addition of 12,921 cable video RGUs, 20,892 internet RGUs and 6,531 satellite video RGUs. The trend of year-over-year improvement is attributed to strong Internet subscriber growth led by WideOpen Internet 150, compelling bundle and value plan offerings driving notable reductions in disconnects, and by the launch of BlueSky TV across Shaw’s entire cable video footprint. This quarter’s subscriber result also represents the division’s first positive net video RGU quarter since the fourth quarter of fiscal 2010.

In Wireless, the Company added a combined 19,974 postpaid and prepaid subscribers as compared to 33,427 RGUs gained in the second quarter of fiscal 2017 and approximately 22,000 RGUs gained in the third quarter of fiscal 2016, finishing the period with a total 1,106,159 RGUs. Strong RGU results in consecutive quarters reflect the compelling value proposition of Freedom Mobile’s offering to thousands of value-conscious Canadians.

## Overview

Our fiscal 2017 third quarter financial results represent improvements in consolidated revenue over the third quarter of fiscal 2016. For further discussion of divisional performance see “Discussion of operations.”

Highlights of the third quarter financial results are as follows.

### **Revenue**

Revenue for the quarter of \$1.31 billion increased \$36 million or 2.8% from \$1.28 billion for the third quarter of 2016, highlighted by the following:

- The year-over-year improvement in revenue was primarily due to growth in the Wireless division, contributing an incremental \$22 million or 16.3% in revenue driven by higher postpaid and prepaid RGUs, increased handset sales and improved average revenue per unit (“ARPU”).
- The Business Network Services and Business Infrastructure Services divisions contributed a combined \$19 million to the consolidated revenue improvements for the quarter driven primarily by customer growth. Consumer division revenue for the period decreased \$5 million or 0.5% compared to the third quarter of fiscal 2016.

Compared to the second quarter of fiscal 2017, consolidated revenue for the quarter increased 1.2% or by \$15 million. The increase in revenue over the prior quarter relates primarily to growth in the Wireless division driven by higher handset sales, added RGUs and improved ARPU.

Revenue for the nine-month period of \$3.91 billion increased \$359 million or 10.1% from \$3.55 billion for the comparable period in fiscal 2016, highlighted by the following:

- The year-over-year improvement in revenue was primarily due to the Wireless division contributing revenues of \$433 million for the nine-month period in fiscal 2017 as compared to \$132 million in the three-month period for fiscal 2016 following the acquisition of Freedom Mobile (formerly, WIND) on March 1, 2016.
- Excluding the results of the Wireless division, revenue for the nine-month period from the combined Consumer, Business Network Services and Business Infrastructure Services divisions was up \$52 million or 1.5%. Customer acquisition was the primary driver of revenue growth in the Business Network Services and Business Infrastructure Services divisions. The Consumer division’s revenue was comparable to the prior year.

### **Operating income before restructuring costs and amortization**

Third quarter operating income before restructuring costs and amortization of \$550 million decreased slightly by \$3 million or 0.5% from \$553 million for the third quarter of 2016, highlighted by the following:

- The year-over-year improvements from the Wireless, Business Network Services and Business Infrastructure Services divisions were fully offset by the \$26 million or 6.1% decrease from the Consumer division driven by higher sales and marketing costs associated with the launch of BlueSky TV, promotional discounts, programming costs and lower RGUs as compared to the prior year.

Consolidated operating margin for the third quarter of 42.0% was down from 43.4% in the third quarter of fiscal 2016 due primarily to the impact of the lower Consumer division margin driven by higher costs in the quarter.

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Compared to the second quarter of fiscal 2017, operating income before restructuring costs and amortization for the current quarter was up \$12 million driven primarily by the Wireless division operating results.

For the nine-month period, operating income before restructuring costs and amortization of \$1.63 billion increased \$67 million or 4.3% from \$1.56 billion for the comparable period, highlighted by the following:

- The year-over-year improvement was primarily due to the Wireless division contributing \$101 million over the nine-month period as compared to \$29 million in fiscal 2016 over the three-month period following the acquisition of Freedom Mobile (formerly, WIND) on March 1, 2016.
- The combined operating income before restructuring costs and amortization increase of \$35 million for the nine-month period in the Business Network Services and Business Infrastructure Services divisions was more than fully offset by \$40 million of lower operating income before restructuring costs and amortization in the Consumer division.

### Free cash flow

Free cash flow for the third quarter of \$132 million decreased \$50 million from \$182 million for the third quarter of 2016.

- Free cash flow decreased in the quarter as a result of higher planned capital expenditures of \$36 million and \$29 million lower free cash flow from discontinued operations primarily related to the former Media operations. The decreases were partially offset by higher dividends from Corus of \$8 million, \$6 million lower interest and \$3 million lower cash taxes.

### Net Income

Net income of \$133 million and \$370 million for the three and nine months ended May 31, 2017, respectively, compared to \$704 million and \$1.09 billion for the same periods in fiscal 2016. The changes in net income are outlined in the following table.

<i>(millions of Canadian dollars)</i>	<b>May 31, 2017 net income compared to:</b>		
	<u>Three months ended</u>		<u>Nine months ended</u>
	<u>February 28, 2017</u>	<u>May 31, 2016</u>	<u>May 31, 2016</u>
Increased (decreased) operating income before restructuring costs and amortization <sup>(1)</sup>	12	(3)	67
Decreased (increased) restructuring costs	(43)	(20)	(32)
Increased amortization	(8)	(24)	(90)
Decreased (increased) interest expense	1	5	7
Change in net other costs and revenue <sup>(2)</sup>	38	155	135
Decreased (increased) income taxes	18	(23)	(13)
Decreased income from discontinued operations, net of tax	(32)	(661)	(790)
	(14)	(571)	(716)

<sup>(1)</sup> See definitions and discussion under “Non-IFRS and additional GAAP measures.”

<sup>(2)</sup> Net other costs and revenue includes business acquisition costs, accretion of long-term liabilities and provisions, debt retirement costs, equity income and losses of an associate or joint venture and other losses as detailed in the unaudited Consolidated Statements of Income.

Change in net other costs and revenue in the third quarter had a \$38 million favourable impact on net income compared to the second quarter of fiscal 2017 primarily due to a \$15 provision reversal related to the wind down of shomi and \$17 million higher equity income from our investment in Corus.

Change in net other costs and revenue in the third quarter had a \$155 million favourable impact on net

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income compared to the third quarter of fiscal 2016 primarily due to a decrease in year-over-year non-operating costs including the following; i) prior year write-down and equity loss on the investment in shomi in the amount of \$66 million, ii) prior year write-down of \$20 million in respect of a private portfolio investment, and iii) \$12 million business acquisition costs related to the acquisition of Freedom Mobile (formerly, WIND). Also, in the current quarter, the company recorded a \$15 million provision reversal related to the wind down of shomi and \$36 million increase in the year-over-year equity income from our investment in Corus.

## Outlook

Heading into the final quarter of fiscal 2017, the Company is refining its full year fiscal 2017 financial guidance for operating income before restructuring costs and amortization to range between \$2.135 and \$2.160 billion, capital investment of approximately \$1.35 billion and free cash flow of approximately \$400 million.

These refinements include the results of the Business Infrastructure Services division, comprised primarily of ViaWest, Inc., through the end of fiscal 2017 and reflect a modest acceleration of capital spend associated primarily with strategic network enhancements and the evolving wireless platform.

Providing both the sale of ViaWest and the acquisition of spectrum are completed in the near term, the Company expects its ratio of debt to operating income before restructuring costs and amortization to be below the low end of its target 2.0 to 2.5 times and the \$1.5 billion credit facility to be fully undrawn.

See “Caution concerning forward-looking statements.”

## Non-IFRS and additional GAAP measures

The Company’s continuous disclosure documents may provide discussion and analysis of non-IFRS financial measures. These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies. The Company’s continuous disclosure documents may also provide discussion and analysis of additional GAAP measures. Additional GAAP measures include line items, headings, and sub-totals included in the financial statements.

The Company utilizes these measures in making operating decisions and assessing its performance. Certain investors, analysts and others utilize these measures in assessing the Company’s operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. The non-IFRS financial measures and additional GAAP measures have not been presented as an alternative to net income or any other measure of performance required by IFRS.

Below is a discussion of the non-IFRS financial measures and additional GAAP measures used by the Company and provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.

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### 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.

<i>(millions of Canadian dollars)</i>	Three months ended May 31,		Nine months ended May 31,	
	2017	2016	2017	2016
<b>Operating income from continuing operations</b>	<b>235</b>	282	<b>780</b>	835
Add back (deduct):				
Restructuring costs	<b>43</b>	22	<b>54</b>	22
Amortization:				
Deferred equipment revenue	<b>(10)</b>	(13)	<b>(31)</b>	(43)
Deferred equipment costs	<b>30</b>	33	<b>90</b>	104
Property, plant and equipment, intangibles and other	<b>252</b>	229	<b>732</b>	640
<b>Operating income before restructuring costs and amortization</b>	<b>550</b>	553	<b>1,625</b>	1,558

### Operating margin

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

	Three months ended May 31,			Nine months ended May 31,		
	2017	2016	Change %	2017	2016	Change %
Consumer	<b>43.1%</b>	45.7%	(2.6pts)	<b>43.0%</b>	44.4%	(1.4pts)
Business Network Services	<b>51.1%</b>	50.0%	1.1pts	<b>51.5%</b>	49.2%	2.3pts
Business Infrastructure Services	<b>38.5%</b>	38.4%	0.1pts	<b>37.5%</b>	36.7%	0.8pts
Wireless	<b>27.3%</b>	22.0%	5.3pts	<b>23.3%</b>	22.0%	1.3pts

### 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.

<i>(millions of Canadian dollars)</i>	Three months ended May 31,		Nine months ended May 31,	
	2017	2016	2017	2016
<b>Income from discontinued operations, net of tax</b>	<b>(31)</b>	630	<b>(30)</b>	760
Add back (deduct):				
Gain on divestiture, net of tax	-	(615)	-	(615)
Income taxes	-	10	<b>1</b>	58
Amortization:				
Property, plant and equipment, intangibles and other	<b>1</b>	1	<b>2</b>	14
Other non-operating items	<b>32</b>	16	<b>32</b>	19
<b>Income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items</b>	<b>2</b>	42	<b>5</b>	236

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### 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 reported on a combined basis for Consumer and Business Network Services due to the common infrastructure and separately for Business Infrastructure Services and Wireless. 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), cash taxes paid or payable, program rights amortization on assets held for sale, cash amounts associated with funding CRTC benefit obligations related to media acquisitions, recurring cash funding of pension amounts net of pension expense and excludes non-controlling interest amounts that are included in the income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items.

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Free cash flow is calculated as follows:

<i>(millions of Canadian dollars)</i>	Three months ended May 31,			Nine months ended May 31,		
	2017	2016	Change %	2017	2016	Change %
<b>Revenue</b>						
Consumer	930	935	(0.5)	2,810	2,813	(0.1)
Business Network Services	137	128	7.0	410	384	6.8
Business Infrastructure Services	96	86	11.6	277	248	11.7
Wireless	154	132	16.7	433	132	228.0
	<b>1,317</b>	<b>1,281</b>	<b>2.8</b>	<b>3,930</b>	<b>3,577</b>	<b>9.9</b>
Intersegment eliminations	(6)	(6)	-	(18)	(24)	(25.0)
	<b>1,311</b>	<b>1,275</b>	<b>2.8</b>	<b>3,912</b>	<b>3,553</b>	<b>10.1</b>
<b>Operating income before restructuring costs and amortization<sup>(1)</sup></b>						
Consumer	401	427	(6.1)	1,209	1,249	(3.2)
Business Network Services	70	64	9.4	211	189	11.6
Business Infrastructure Services	37	33	12.1	104	91	14.3
Wireless	42	29	44.8	101	29	248.3
	<b>550</b>	<b>553</b>	<b>(0.5)</b>	<b>1,625</b>	<b>1,558</b>	<b>4.3</b>
<b>Capital expenditures and equipment costs (net):<sup>(2)</sup></b>						
Consumer and Business Network Services	232	201	15.4	651	651	-
Business Infrastructure Services	33	35	(5.7)	84	105	(20.0)
Wireless	58	51	13.7	176	51	245.1
	<b>323</b>	<b>287</b>	<b>12.5</b>	<b>911</b>	<b>807</b>	<b>12.9</b>
<b>Free cash flow before the following</b>	<b>227</b>	<b>266</b>	<b>(14.7)</b>	<b>714</b>	<b>751</b>	<b>(4.9)</b>
Less:						
Interest	(73)	(79)	(7.6)	(221)	(227)	(2.6)
Cash taxes	(52)	(55)	(5.5)	(139)	(186)	(25.3)
<b>Other adjustments:</b>						
Dividends from equity accounted associates	22	14	57.1	65	14	364.3
Non-cash share-based compensation	1	1	-	3	2	50.0
Pension adjustment	4	3	33.3	8	(17)	(147.1)
Customer equipment financing	2	3	(33.3)	6	7	(14.3)
Preferred share dividends	(2)	(3)	(33.3)	(6)	(10)	(40.0)
<b>Free cash flow from continuing operations</b>	<b>129</b>	<b>150</b>	<b>(14.0)</b>	<b>430</b>	<b>334</b>	<b>28.7</b>
<b>Income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items</b>	<b>2</b>	<b>42</b>		<b>5</b>	<b>236</b>	
Less:						
Capital expenditures	1	(1)		2	(3)	
Cash taxes	-	12		(1)	(28)	
Program Rights	-	(14)		-	(33)	
CRTC benefit obligation funding	-	(3)		-	(11)	
Non-controlling interests	-	(4)		-	(20)	
Pension adjustment	-	-		-	(2)	
<b>Free cash flow from discontinued operations</b>	<b>3</b>	<b>32</b>		<b>6</b>	<b>139</b>	
<b>Free cash flow</b>	<b>132</b>	<b>182</b>	<b>(27.5)</b>	<b>436</b>	<b>473</b>	<b>(7.8)</b>

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

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

## Discussion of operations

### Consumer

<i>(millions of Canadian dollars)</i>	Three months ended May 31,			Nine months ended May 31,		
	2017	2016	Change %	2017	2016	Change %
Revenue	<b>930</b>	935	(0.5)	<b>2,810</b>	2,813	(0.1)
Operating income before restructuring costs and amortization <sup>(1)</sup>	<b>401</b>	427	(6.1)	<b>1,209</b>	1,249	(3.2)
<b>Operating margin <sup>(1)</sup></b>	<b>43.1%</b>	45.7%	(2.6pts)	<b>43.0%</b>	44.4%	(1.4pts)

<sup>(1)</sup> See definitions and discussion under “Non-IFRS and additional GAAP measures.”

Consumer RGUs in the second quarter increased by 38,517, a substantial improvement over the 47,256 RGU loss in the third quarter of fiscal 2016. This quarter’s Consumer RGU result represents the division’s first positive net video RGU quarter since the fourth quarter of fiscal 2010. The trend of year-over-year subscriber improvement continues to be driven by strong Internet subscriber growth linked to the WideOpen Internet 150 offering combined with our new BlueSky TV offering and by notable reductions in disconnects. The Company’s network strength, strong value plan offerings and positive customer retention are also contributing positively to subscriber gains.

#### Revenue

- Consumer revenue for the third quarter of fiscal 2017 decreased slightly by 0.5% compared to the third quarter of fiscal 2016. Higher revenue generated by August 2016 rate increases and incremental Internet RGUs were fully offset by the impact of overall year-over-year reductions to phone, cable and satellite video RGUs.
- As compared to the second quarter of fiscal 2017, the current quarter revenue decreased \$3 million or 0.3%. The quarter-over-quarter decrease was primarily due to the impact of increased promotional discounts.

#### Operating income before restructuring costs and amortization

- Operating income before restructuring costs and amortization for the quarter of \$401 million was down 6.1% or \$26 million from \$427 million in the third quarter of fiscal 2016. Higher revenue from August 2016 rate increases was more than fully offset by the impact of higher sales and marketing costs associated with the launch of BlueSky TV, promotional discounts, programming costs and lower RGUs as compared to the prior year.
- As compared to the second quarter of fiscal 2017, operating income before restructuring costs and amortization for the current quarter was \$2 million or 0.5% lower as the impact of increased RGUs and rate increases in satellite video was more than fully offset by sales and marketing costs, and promotional discounts.

## Shaw Communications Inc.

### Business Network Services

<i>(millions of Canadian dollars)</i>	Three months ended May 31,			Nine months ended May 31,		
	2017	2016	Change %	2017	2016	Change %
Revenue	137	128	7.0	410	384	6.8
Operating income before restructuring costs and amortization <sup>(1)</sup>	70	64	9.4	211	189	11.6
<b>Operating margin <sup>(1)</sup></b>	<b>51.1%</b>	<b>50.0%</b>	<b>1.1pts</b>	<b>51.5%</b>	<b>49.2%</b>	<b>2.3pts</b>

<sup>(1)</sup> See definitions and discussion under “Non-IFRS and additional GAAP measures.”

#### Revenue

- Revenue of \$137 million for the quarter was up \$9 million or 7.0% over the comparable period. The core business, excluding satellite services, increased revenues 10.0% in the current quarter primarily due to continued growth across the entire customer base.
- As compared to the second quarter of fiscal 2017, excluding the impact of discontinued operations, revenue was comparable reflecting continued organic customer growth offset by price adjustments relating to our legacy phone product.

#### Operating income before restructuring costs and amortization

- Operating income before restructuring costs and amortization of \$70 million for the quarter improved by \$6 million or 9.4% over the comparable period. The improvements were driven primarily by increased revenue from customer growth and migration from legacy products to higher margin Smart suite offerings.
- As compared to the second quarter of fiscal 2017, operating income before restructuring costs and amortization for the quarter decreased by \$2 million primarily driven by increased sales and marketing related costs.

### Business Infrastructure Services

<i>(millions of Canadian dollars)</i>	Three months ended May 31,			Nine months ended May 31,		
	2017	2016	Change %	2017	2016	Change %
Revenue	96	86	11.6	277	248	11.7
Operating income before restructuring costs and amortization <sup>(1)</sup>	37	33	12.1	104	91	14.3
<b>Operating margin <sup>(1)</sup></b>	<b>38.5%</b>	<b>38.4%</b>	<b>0.1pts</b>	<b>37.5%</b>	<b>36.7%</b>	<b>0.8pts</b>

<sup>(1)</sup> See definitions and discussion under “Non-IFRS and additional GAAP measures.”

#### Revenue

- Revenue for the quarter increased \$10 million or 11.6% over the third quarter of fiscal 2016. Excluding the effect of foreign exchange, revenue for the U.S. based operations increased by 6.9% to US\$71 million for the three-month period primarily due to continued organically generated customer growth.
- As compared to the second quarter of fiscal 2017, revenue for the quarter increased slightly by \$5 million or 5.5%. Excluding the effect of foreign exchange, revenue in the third quarter of fiscal 2017 for the U.S. based operations increased by 2.3% over the second quarter of fiscal 2017.

## Shaw Communications Inc.

### Operating income before restructuring costs and amortization

- Operating income before restructuring costs and amortization for the quarter improved \$4 million or 12.1% over the comparable period. Excluding the effect of foreign exchange, operating income before restructuring costs and amortization for the U.S. based operations increased by 7.3% to US\$28 million for the three-month period. Year-over-year improvement was due primarily to customer growth.
- As compared to the second quarter of fiscal 2017, operating income before restructuring costs and amortization for the current quarter was up 5.7% or \$2 million driven by increased revenue and the impact of higher seasonal costs incurred in the second quarter of fiscal 2017. Excluding the effect of foreign exchange, operating income before restructuring costs and amortization in the third quarter of fiscal 2017 for the U.S. based operations increased by 3.1% over the second quarter of fiscal 2017.

### Wireless

<i>(millions of Canadian dollars)</i>	Three months ended May 31,			Nine months ended May 31,		
	2017	2016	Change %	2017	2016	Change %
Revenue	154	132	16.7	433	132	>100.0
Operating income before restructuring costs and amortization <sup>(1)</sup>	42	29	44.8	101	29	>100.0
<b>Operating margin <sup>(1)</sup></b>	<b>27.3%</b>	<b>22.0%</b>	<b>5.3pts</b>	<b>23.3%</b>	<b>22.0%</b>	<b>1.3pts</b>

<sup>(1)</sup> See definitions and discussion under “Non-IFRS and additional GAAP measures.”

The Wireless division added nearly 20,000 RGUs in the quarter as compared to approximately 22,000 RGUs gained in the third quarter of fiscal 2016.

### Revenue

- Revenue of \$154 million for the quarter was up \$22 million or 16.7% over the comparable period. The increase in revenue was driven primarily by year-over-year growth in each postpaid and prepaid RGUs and due to improved ARPU of \$37.05 as compared to \$36.30 in the third quarter of fiscal 2016.
- As compared to the second quarter of fiscal 2017, revenue for the quarter increased by \$14 million or 10% over the second quarter of fiscal 2017, the result of added RGUs and improved ARPU on higher rate plan mix as compared to \$36.44 ARPU in the prior quarter.

## Shaw Communications Inc.

### Operating income before restructuring costs and amortization

- Operating income before restructuring costs and amortization of \$42 million for the quarter improved by \$13 million or 44.8% over the third quarter of fiscal 2016. The improvements were driven primarily by increased revenue from added RGUs and improved ARPU in addition to reduced employee related costs offset partially by an increase in marketing, network and other commercial costs.
- As compared to the second quarter of fiscal 2017, operating income before restructuring costs and amortization increased by \$13 million or 44.8% over the second quarter of fiscal 2017, an improvement driven by the increase in revenue and by higher prior quarter seasonal commercial costs, costs associated with the branding transition to Freedom Mobile and other promotional related costs.

### **Capital expenditures and equipment costs**

<i>(millions of Canadian dollars)</i>	Three months ended May 31,			Nine months ended May 31,		
	2017	2016	Change %	2017	2016	Change %
<b>Consumer and Business Network Services</b>						
New housing development	27	29	(6.9)	74	79	(6.3)
Success based	77	61	26.2	219	203	7.9
Upgrades and enhancements	102	80	27.5	275	277	(0.7)
Replacement	6	12	50.0	19	30	(36.7)
Building and other	20	19	5.3	64	62	3.2
Total as per Note 4 to the unaudited interim consolidated financial statements	232	201	15.4	651	651	-
<b>Business Infrastructure Services</b>						
Total as per Note 4 to the unaudited interim consolidated financial statements	33	35	(5.7)	84	105	(20.0)
<b>Wireless</b>						
Total as per Note 4 to the unaudited interim consolidated financial statements	58	51	13.7	176	51	245.1
Consolidated total as per Note 4 to the unaudited interim consolidated financial statements	323	287	12.5	911	807	12.9

Third quarter capital investment was \$323 million, a \$36 million or 12.5% increase over the comparable period, driven by added capital expenditures of \$21 million in broadband capacity expansion, \$16 million in success based equipment and \$7 million in the Wireless division. The increases were partially offset by \$6 million of reduced network replacement activity.

### Consumer and Business Network Services

- Success based capital for the quarter of \$77 million was \$16 million higher than in the third quarter of fiscal 2016. The increase was driven by higher equipment costs in video associated with the BlueSky TV product, purchases of advanced Internet Wi-Fi modems, and satellite digital network upgrade (“DNU”). The increases were partially offset by reduced installation costs in all product lines.
- For the quarter, investment in the combined upgrades and enhancement and replacement categories was \$108 million, a \$16 million or 17.4% increase over the prior year driven by increased spend on network capacity upgrades in support of enhanced broadband capacity, DOCSIS 3.1, and satellite DNU.

### Business Infrastructure Services

- Capital investment of \$33 million for the quarter was comparable to the prior year with customer installation costs in existing facilities the main driver of investment.

## Shaw Communications Inc.

### Wireless

- Capital investment of \$176 million for the year and \$58 million in the third quarter related primarily to investment for the continued improvement in network infrastructure, specifically the LTE-Advanced network rollout readiness project across the network as well as capital investments in the upgrade of back office systems.

### **Discontinued operations**

#### **Shaw Tracking**

During the current quarter, 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 for the period ended May 31, 2017. Accordingly, the assets and liabilities of the Shaw Tracking business were reclassified in the consolidated balance sheet at May 31, 2017 to current assets held for sale or current liabilities held for sale, respectively, as the sale of such assets and liabilities is expected 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.

In connection with the reclassification of assets and liabilities of the Shaw Tracking business as held for sale, the Company reviewed the carrying value of the resulting disposal group and determined it exceeded its fair value less cost to sell at May 31, 2017. Accordingly, an impairment charge of \$32 million was recorded during the quarter.

<i>(millions of Canadian dollars)</i>	Three months ended May 31,		Nine months ended May 31,	
	2017	2016	2017	2016
<b>Revenue</b>	<b>8</b>	8	<b>25</b>	25
<b>Operating, general and administrative expenses</b>				
Employee salaries and benefits	2	2	5	5
Purchases of goods and services	4	4	15	13
	<b>6</b>	6	<b>20</b>	18
Amortization	1	1	2	3
Impairment of goodwill / disposal group	32	17	32	17
<b>Income (loss) from discontinued operations before tax</b>	<b>(31)</b>	(16)	<b>(29)</b>	(13)
Income taxes	-	-	1	1
<b>Income (loss) from discontinued operations, net of tax</b>	<b>(31)</b>	(16)	<b>(30)</b>	(12)

## Shaw Communications Inc.

### Shaw Media

On April 1, 2016, Shaw sold 100% of its wholly owned subsidiary Shaw Media Inc. to Corus, a related party subject to common voting control for \$2.65 billion, comprised of \$1.85 billion in cash and 71,364,853 Corus Class B non-voting participating shares. Accordingly, the operating results and operating cash flows for the previously reported Media division are presented as discontinued operations separate from the Company's continuing operations.

<i>(millions of Canadian dollars)</i>	Three months ended May 31,		Nine months ended May 31,	
	2017	2016	2017	2016
<b>Revenue</b>	-	88	-	610
Eliminations <sup>(1)</sup>	-	(7)	-	(46)
	-	81	-	564
<b>Operating, general and administrative expenses</b>				
Employee salaries and benefits	-	16	-	109
Purchases of goods and services	-	32	-	272
	-	48	-	381
Eliminations <sup>(1)</sup>	-	(7)	-	(46)
	-	41	-	335
Amortization	-	-	-	11
Accretion of long-term liabilities and provisions	-	-	-	2
Other losses	-	(1)	-	-
<b>Income from discontinued operations before tax and gain on divestiture</b>	-	41	-	216
Income taxes	-	10	-	57
<b>Income (loss) from discontinued operations, net of tax</b>	-	31	-	159
Gain on Divestiture	-	662	-	662
Income taxes or gain	-	47	-	47
<b>Income (loss) from discontinued operations, net of tax</b>	-	646	-	774

<sup>(1)</sup> Eliminations relate to intercompany transactions between continuing and discontinued operations. The costs are included in continuing operations as they are expected to continue to be incurred subsequent to the disposition.

## Supplementary quarterly financial information

Quarter	Revenue	Operating income before restructuring costs and amortization <sup>(1)</sup>	Net income from continuing operations attributable to equity shareholders	Net income attributable to equity shareholders	Net income <sup>(2)</sup>	Basic and Diluted earnings per share from continuing operations	Basic and Diluted earnings per share
<i>(millions of Canadian dollars except per share amounts)</i>							
<b>2017</b>							
Third	1,311	550	164	133	133	0.33	0.27
Second	1,296	538	146	147	147	0.29	0.30
First	1,305	537	89	89	89	0.18	0.18
<b>2016</b>							
Fourth	1,297	547	143	154	154	0.29	0.31
Third	1,275	553	74	700	704	0.14	1.44
Second	1,143	500	115	156	164	0.23	0.32
First	1,135	505	137	209	218	0.28	0.43
<b>2015</b>							
Fourth	1,123	524	248	272	276	0.52	0.57

<sup>(1)</sup> See definition and discussion under "Non-IFRS and additional GAAP measures."

<sup>(2)</sup> Net income attributable to both equity shareholders and non-controlling interests

## **Shaw Communications Inc.**

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, higher equity income from our investment in Corus and lower income taxes. See “Other income and expense items” for further detail on non-operating items.

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. See “Other income and expense items” for further detail on non-operating items.

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 \$27 million equity income from our investment in Corus and lower income taxes. See “Other income and expense items” for further detail on non-operating items.

In the fourth quarter of fiscal 2016 net income decreased \$550 million compared to the third quarter of fiscal 2016 mainly due to lower income from discontinued operations, net of tax, relating primarily to the gain on the divestiture of the former Media division recorded in the third quarter, decreased operating income before restructuring costs and amortization, and higher income taxes. Partly offsetting the decrease in net income were decreases in net other costs and revenue and restructuring costs. Net other costs and revenue decreased primarily due to non-recurring charges recorded in the third quarter, including a \$17 million impairment of goodwill relating to the Tracking business, a \$51 million impairment of the Company’s joint venture investment in shomi, a \$20 million write-down of a private portfolio investment, \$12 million acquisition related costs and a \$10 million loss from an equity accounted associate.

Net income for the third quarter of fiscal 2016 increased \$540 million compared to the second quarter of fiscal 2016 mainly due to higher income from discontinued operations, net of tax, relating primarily to the gain on the divestiture of the former Media division, increased operating income before restructuring costs and amortization and lower income taxes. Partly offsetting the net income improvement in the quarter were: i) decreased net other costs and revenue; ii) increased restructuring charges; and iii) increased amortization. Net other costs and revenue decreased primarily due to a \$17 million impairment of goodwill relating to the Shaw Tracking operations in the Business Network Services division, a \$51 million impairment of the Company’s shomi joint venture investment, a \$20 million write-down of a private portfolio investment and a \$10 million loss from an equity accounted associate.

In the second quarter of fiscal 2016, net income decreased \$54 million compared to the first quarter of fiscal 2016 mainly due to decreased income from discontinued operations, net of tax, of \$32 million, primarily due to the seasonality of the Media business reflected in income from discontinued operations, net of tax, and net other costs and revenue of \$13 million. Net other costs and revenue decreased primarily due to \$8 million of costs recorded in the quarter related to the acquisition of Freedom Mobile (formerly, WIND) and INetU.

In the first quarter of fiscal 2016, net income decreased \$58 million compared to the fourth quarter of 2015 mainly due to a change in net other costs and revenues of \$140 million and decrease in operating

## Shaw Communications Inc.

income before restructuring costs and amortization of \$17 million offset by an increase in income from discontinued operations, net of tax, of \$51 million and a decrease in income taxes of \$50 million. Net other costs and revenue decreased primarily due to a fourth quarter fiscal 2015 gain on the sale of wireless spectrum of \$158 million less the impact of a \$27 million write-down of a private portfolio investment in the same period offset by an increase in the equity loss of a joint venture interest in shomi of \$5 million in the first quarter of fiscal 2016.

In the fourth quarter of fiscal 2015, net income increased \$67 million primarily due to improved net other costs and revenue of \$191 million partially offset by lower income from discontinued operations, net of tax, of \$44 million and higher income tax expense of \$70 million. The improvement in net other costs and revenue items was due to the combined effect of the aforementioned sale of spectrum licenses and write-down of a private portfolio investment during the fourth quarter and the \$59 million net charge arising in the third quarter related to an impairment of goodwill, write-down of IPTV assets and proceeds received from the Shaw Court insurance claim.

## Other income and expense items

### Amortization

<i>(millions of Canadian dollars)</i>	Three months ended May 31,			Nine months ended May 31,		
	2017	2016	Change %	2017	2016	Change %
Amortization revenue (expense)						
Deferred equipment revenue	10	13	(23.1)	31	43	(27.9)
Deferred equipment costs	(30)	(33)	(9.0)	(90)	(104)	(13.5)
Property, plant and equipment, intangibles and other	(252)	(229)	10.0	(732)	(640)	14.4

Amortization of property, plant and equipment, intangibles and other increased 10.0% and 14.4% for the three and nine months ended May 31, 2017 over the comparable periods due to amortization of new expenditures exceeding the amortization of assets that became fully amortized during the periods, and only three months of Wireless division amortization included in the prior year subsequent to the acquisition of Freedom Mobile (formerly WIND Mobile) on March 1, 2016.

### Amortization of financing costs and Interest expense

<i>(millions of Canadian dollars)</i>	Three months ended May 31,			Nine Months ended May 31,		
	2017	2016	Change %	2017	2016	Change %
Amortization of financing costs –						
long-term debt	1	1	-	4	4	-
Interest expense	74	79	(6.3)	222	229	(3.1)

Interest expense for the three and nine month periods ended May 31, 2017 was lower than the comparable periods due to lower average outstanding debt balances in the current year.

### Equity income (loss) of an associate or joint venture

For the three and nine month periods ended May 31, 2017 the Company recorded equity income of \$26 million and \$62 million related to its interest in Corus, compared to equity losses of \$10 million for the comparable periods. In the comparable periods, the Company also recorded equity losses of \$15 million and \$51 million, respectively, related to its interest in shomi.

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### Other 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 nine months ended May 31, 2017, the category also includes a net \$92 million provision in respect of the Company's investment in shomi which announced a wind down of operations during the first quarter. In the comparable year, the category includes a write-down of \$51 million in respect of the Company's investment in shomi, a write-down of \$20 million in respect of a private portfolio investment and asset write-downs of \$6 million.

### Income taxes

Income taxes are higher in the current year mainly due to an increase in net income from continuing operations and the impact of other adjustments.

## Financial position

Total assets were \$15.4 billion at May 31, 2017 and August 31, 2016. Following is a discussion of significant changes in the consolidated statement of financial position since August 31, 2016.

Current assets decreased \$148 million due to decreases in cash of \$230 million and account receivable of \$25 million, offset by increases in inventories of \$24 million, other current assets of \$22 million and assets held for sale of \$61 million. Cash decreased as the cash outlay for investing activities and financing activities exceeded the funds provided by operations. Inventories increased due to the acquisition of additional customer equipment to support the newly-launched BlueSky TV service. Other current assets increased due to the timing of payments related to prepaid expenses. Assets held for sale include the assets of the Shaw Tracking business for which the sale is expected to be completed within a year.

Investments and other assets increased \$69 million primarily due to equity income and other comprehensive income of associates related to the Company's investment in Corus. Property, plant and equipment increased \$124 million due to capital investment in excess of amortization and the effect of foreign exchange rates on the translation of ViaWest. Intangibles and goodwill decreased \$25 million due to Shaw Tracking goodwill reclassified as held for sale partially offset by net software intangible additions and the ongoing effect of foreign exchange arising on translation of ViaWest.

Current liabilities decreased \$463 million during the year due to decreases in current portion of long-term debt of \$400 million, accounts payable and accrued liabilities of \$69 million and income taxes payable of \$87 million, partially offset by increases of \$59 million in current provisions and \$35 million in liabilities held for sale. Current portion of long-term debt decreased due to the repayment of \$400 million 5.7% senior note at maturity on March 2, 2017. Accounts payable and accruals decreased due to the timing of payment and fluctuations in various payables including capital expenditures and interest. Income taxes payable decreased due to tax installment payments, partially offset by the current period provision. Current provisions increased primarily due to unpaid amounts relating to the provision for the wind down of the shomi investment and restructuring.

Long-term debt increased \$356 million due to the issuance of \$300 million fixed rate senior notes at a rate of 3.80% due March 1, 2027, additional U.S. dollar borrowings by ViaWest under its bank credit facilities and the effect of foreign exchange rates on ViaWest's debt and the Company's U.S. dollar

## Shaw Communications Inc.

borrowings under its credit facility. The \$300 million proceeds from the issuance of the fixed rate senior notes, together with cash on hand, was used to repay the \$400 million senior note due on March 2, 2017.

Shareholders' equity increased \$138 million primarily due to an increase in share capital of \$194 million and decrease in accumulated other comprehensive loss of \$23 million, partly offset by a decrease in retained earnings of \$75 million. Share capital increased due to the issuance of 7,123,282 Class B non-voting participating shares ("Class B Non-Voting Shares") under the Company's option plan and Dividend Reinvestment Plan ("DRIP"). As at June 15, 2017, share capital is as reported at May 31, 2017 with the exception of the issuance of a total of 65,460 Class B Non-Voting Shares upon exercise of options under the Company's option plan. Retained earnings decreased due to dividends of \$445 million, partially offset by current year earnings of \$370 million. Accumulated other comprehensive loss decreased due to the net effect of exchange differences arising on the translation of ViaWest and U.S. dollar denominated debt designated as a hedge of the Company's net investment in those foreign operations as well as re-measurements recorded on employee benefit plans and the Company's share of other comprehensive income of associates.

## Liquidity and capital resources

In the nine-month period ended May 31, 2017, the Company generated \$436 million of free cash flow. Shaw used its free cash flow along with cash of \$230 million, \$300 million proceeds from a senior note issuance, borrowings of \$33 million under ViaWest's credit facility and proceeds on issuance of Class B Non-Voting Shares of \$37 million to repay at maturity \$400 million 5.7% senior notes, fund the net working capital change of \$180 million, pay common share dividends of \$286 million, make \$115 million in financial investments, pay \$45 million in restructuring costs and pay \$10 million in other net items.

As at May 31, 2017, the Company had \$175 million of cash on hand, as well as approximately \$980 million of available credit under its \$1.5 billion bank credit facility. On December 15, 2016, the Company amended the terms of this bank credit facility to extend the maturity date from December 2019 to December 2021. The facility is used for working capital and general corporate purposes.

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 \$149 million during the nine months ending May 31, 2017. On December 16, 2016, the Company amended its DRIP to permit eligible shareholders who are residents of the United States to enroll their Class A Participating Shares and Class B Non-voting Participating Shares in the DRIP. Prior to this amendment, the DRIP was only available to eligible shareholders who were residents of Canada.

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

## Shaw Communications Inc.

	Covenant Limit
<b>Shaw Credit Facilities</b>	
Total Debt to Operating Cash Flow <sup>(1)</sup> Ratio	< 5.00:1
Operating Cash Flow <sup>(1)</sup> to Fixed Charges <sup>(2)</sup> Ratio	> 2.00:1
<b>ViaWest Credit Facilities</b>	
Total Net Leverage Ratio <sup>(3)</sup>	≤ 6.50:1

<sup>(1)</sup> 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.

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

<sup>(3)</sup> Total Net Leverage Ratio is calculated as the ratio of consolidated total debt under the facility as of the last day of the most recent completed four fiscal quarters to Consolidated Adjusted EBITDA of ViaWest for the same period. Consolidated Adjusted EBITDA, for the purposes of the covenants, is calculated similar to Operating income before restructuring and amortization with adjustments for certain items such as one-time expenses and extraordinary items.

At May 31, 2017, 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 and obligations, 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.

## Cash Flow from Operations

### Operating Activities

<i>(millions of Canadian dollars)</i>	Three months ended May 31,			Nine months ended May 31,		
	2017	2016	Change %	2017	2016	Change %
Funds flow from operations	392	402	(2.5)	1,227	1,110	10.5
Net change in non-cash balances related to operations	45	22	>100.0	(86)	(27)	(>100.0)
Operating activities of discontinued operations	1	3		4	111	
	<b>438</b>	427	2.6	<b>1,145</b>	1,194	(4.1)

For the three months ended May 31, 2017, funds flow from operations decreased over the comparable periods primarily due to higher restructuring costs and lower operating income before restructuring costs and amortization and lower income tax expense, partially offset by lower business acquisition costs. For the nine months ended May 31, 2017, funds flow from operations increased over the comparable periods primarily due to higher operating income before restructuring costs and amortization, lower income tax expense and lower business acquisition costs, partially offset by higher restructuring costs in the current year. For the nine-month period, funds flow from operations also included the impact of lower pension funding during the current year. The net change in non-cash working capital balances related to operations fluctuated over the comparative periods due to changes in other current asset balances and the timing of payment of current income taxes payable and accounts payable and accrued liabilities.

### Investing Activities

<i>(millions of Canadian dollars)</i>	Three months ended May 31,			Nine months ended May 31,		
	2017	2016	Increase	2017	2016	Increase
Cash flow used in investing activities	(395)	(65)	330	(1,040)	(910)	130

## Shaw Communications Inc.

The cash used in investing activities increased over the comparable periods due primarily to the \$246 million net impact of the acquisition of Freedom Mobile (formerly, WIND Mobile) and sale of Media in the prior year, and higher cash outlays for inventory and capital expenditures in the current year. The nine-month period also includes the \$223 acquisition of INetU in the prior year.

### Financing Activities

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

	Three months ended May 31,		Nine months ended May 31,	
<i>(millions of Canadian dollars)</i>	2017	2016	2017	2016
Bank loans – net borrowings	-	(25)	-	69
ViaWest’s credit facility and finance lease obligations	4	(3)	27	172
Repay 5.70% Senior unsecured notes	(400)	-	(400)	-
Issuance of 3.80% Senior unsecured notes	-	-	300	-
Repay CDN variable rate Senior notes	-	-	-	(300)
Issuance of 3.15% Senior unsecured notes	-	-	-	300
Repay 6.15% Senior unsecured notes	-	(300)	-	(300)
Senior notes issuance cost	-	-	(2)	(2)
Freedom Mobile finance lease obligations	-	-	(1)	-
Bank facility arrangement costs	(1)	(5)	(4)	(11)
Dividends	(98)	(100)	(292)	(296)
Issuance of Class B Non-Voting Shares	7	10	37	22
Financing activities of discontinued operations	-	(12)	-	(12)
	<b>(488)</b>	<b>(435)</b>	<b>335</b>	<b>(358)</b>

## Accounting standards

The MD&A included in the Company’s August 31, 2016 Annual Report outlined critical accounting policies, including key estimates and assumptions that management has made under these policies, and how they affect the amounts reported in the Consolidated Financial Statements. The MD&A also describes significant accounting policies where alternatives exist. The condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements except as described below.

### Standards and amendments to standards issued but not yet effective

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

- IFRIC 23, *Uncertainty over Income Tax Treatments* was issued in 2017 to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is required to be applied for annual periods commencing January 1, 2019.

## Shaw Communications Inc.

### Change in accounting policy

In November 2016, the IFRS Interpretations Committee (“the Committee”) published a summary of its meeting discussion regarding a request to clarify how an entity determines the expected manner of recovery of an intangible asset with an indefinite useful life for the purposes of measuring deferred tax in accordance with IAS 12 *Income Taxes*. Although the Committee decided not to add this issue to its agenda, the Committee noted that an intangible asset with an indefinite useful life is not a non-depreciable asset because a non-depreciable asset has an unlimited (or infinite) life, and that indefinite does not mean infinite. Consequently, the fact that an entity does not amortize an intangible asset with an indefinite useful life does not necessarily mean that the entity will recover the carrying amount of that asset only through sale and not through use. As such, the Company changed retrospectively its accounting policy for the accounting of deferred tax on intangible assets with indefinite useful lives to be in line with the Committee discussions.

The following table summarizes the impact of this change of accounting policy on previously reported consolidated statements of financial position. The change of accounting policy did not have an impact on the previously reported consolidated statements of income or consolidated statements of cash flows.

Increase (decrease) to previously reported amounts:

<i>(millions of Canadian dollars)</i>	As at August 31,	
	2016	2015
Goodwill	143	182
Deferred income tax liabilities	740	779
Retained earnings <sup>(1)</sup>	(597)	(597)

<sup>(1)</sup> Included in Shareholders' equity - Common and preferred shareholders

## Related Party Transactions

The Company's transactions with related parties are discussed in its Management's Discussion and Analysis for the year ended August 31, 2016 under “Related Party Transactions” and under Note 27 of the Consolidated Financial Statements of the Company for the year ended August 31, 2016. There has been no material change in the Company's transactions with related parties between August 31, 2016 and May 31, 2017.

## Financial Instruments

There has been no material change in the Company's risk management practices with respect to financial instruments between August 31, 2016 and May 31, 2017. See “Known Events, Trends and Uncertainties – Interest Rates, Foreign Exchange Rates and Capital Markets” in the Company's Management's Discussion and Analysis for the year ended August 31, 2016 and the section entitled “Risk Management” under Note 28 of the Consolidated Financial Statements of the Company for the year ended August 31, 2016.

## Risks and Uncertainties

The significant risks and uncertainties affecting the Company and its business are discussed in the Company's August 31, 2016 Annual Report under “Known Events, Trends, Risks and Uncertainties” in Management's Discussion and Analysis.