

# Quarter 2 Financial Report

## For the period ended September 30, 2018

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## Introduction

Crown Investments Corporation of Saskatchewan (CIC) is the Provincial Government's holding corporation for its commercial Crown corporations. CIC has invested equity in its subsidiary corporations and collects dividends from these corporations.

The purpose of the following discussion is to provide users of CIC's financial statements with an overview of its financial health. This narrative on CIC's 2018-19 second quarter financial results should be read in conjunction with the March 31, 2018 audited consolidated and separate financial statements. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those disclosed in CIC's March 31, 2018 audited consolidated financial statements, except as described in Note 3 to the unaudited condensed consolidated interim financial statements.

To facilitate greater transparency and accountability, CIC prepares two different sets of financial statements: CIC's consolidated financial statements that report on the commercial Crown sector; and CIC's separate financial statements that reflect its role as a holding corporation for the Province.

### **CIC Consolidated Financial Statements**

CIC's consolidated financial statements include CIC's results consolidated with the results of its subsidiary corporations. The unaudited condensed consolidated interim financial statements (herein after referred to as the "consolidated financial statements") are prepared in accordance with International Financial Reporting Standards (IFRS) and include:

- Financial results of subsidiary Crown corporations;

SaskEnergy Incorporated (SaskEnergy)	Saskatchewan Telecommunications
Saskatchewan Gaming Corporation (SGC)	Holding Corporation and Saskatchewan
Saskatchewan Government Insurance (SGI CANADA)	Telecommunications (collectively SaskTel)
Saskatchewan Opportunities Corporation (SOCO)	Saskatchewan Transportation Company (STC) <sup>1</sup>
Saskatchewan Power Corporation (SaskPower)	Saskatchewan Water Corporation (SaskWater)

<sup>1</sup> STC operations ceased in 2017-18. See Note 6 of the condensed consolidated interim financial statements.

- Financial results of wholly-owned subsidiary share capital corporations;

CIC Asset Management Inc. (CIC AMI)  
CIC Economic Holdco Ltd.  
First Nations and Métis Fund Inc. (FNMF)  
Saskatchewan Immigrant Investor Fund Inc. (SIIF)

- Dividends paid by CIC to the General Revenue Fund (GRF); and
- CIC's operating costs, public policy expenditures and interest earned on cash and cash equivalents, short-term investment balances and equity earnings on equity accounted investees.

Consolidated earnings represent the total earnings in the Crown sector, taking into consideration the elimination of all inter-group transactions (i.e. revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC).

## **CIC Separate Financial Statements**

CIC's separate financial statements are used to determine CIC's capacity to pay dividends to the Province's GRF. The unaudited condensed separate interim financial statements have been prepared in accordance with IAS 27 - *Separate Financial Statements* and IAS 34 - *Interim Financial Reporting* at the request of the Saskatchewan Legislative Assembly. These financial statements are intended to isolate CIC's cash-flow, capital support for certain subsidiary corporations, and public policy expenditures. These financial statements include:

- Dividends from subsidiary Crown corporations (SaskTel, SGC, SGI CANADA, SaskWater and SOCO);
- Dividends from the Corporation's investment in Information Services Corporation;
- Grants to subsidiary corporations; and
- CIC's operating results and public policy expenditures.

# **CIC CONSOLIDATED FINANCIAL STATEMENTS**

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# Consolidated Financial Statements

## Management's Discussion and Analysis

Management's Discussion & Analysis (MD&A) highlights the primary factors that have an impact on the consolidated financial results and operations of CIC. It should be read in conjunction with CIC's consolidated financial statements and supporting notes for the period ended September 30, 2018. These consolidated financial statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting*.

The consolidated financial statements do not include all the disclosures included in CIC's annual audited consolidated financial statements. Accordingly, these consolidated financial statements should be read in conjunction with CIC's March 31, 2018 audited consolidated financial statements. The accounting policies and methods of computation used in the preparation of these consolidated financial statements are consistent with those disclosed in CIC's March 31, 2018 audited consolidated financial statements, except as described in Note 3 to these consolidated financial statements.

For purposes of CIC's consolidated MD&A, "CIC" and "the Corporation" refers to the consolidated entity.

### Forward-Looking Information

Throughout the quarterly report, and particularly in the following discussion, are forward-looking statements. These statements can be recognized by terms such as "outlook," "expect," "anticipate," "project," "continue," or other expressions that relate to estimations or future events. By their nature, forward-looking statements require assumptions based on current information, management experience and historical performance. Forward-looking information is subject to uncertainties, and, as a result, forward-looking statements are not a guarantee about the future performance of CIC and its subsidiary Crown corporations.

Readers should not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ materially from estimates, predictions and assumptions. Factors that can influence performance include, but are not limited to: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, competition and the regulatory environment. Given these uncertainties, assumptions contained in the forward-looking statements may or may not occur.

## Management's Discussion and Analysis (continued)

### Major Lines of Business

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are associates, joint ventures and joint operations, held through CIC's wholly-owned subsidiaries.

The following table lists significant wholly-owned subsidiaries, including the respective business line, which CIC consolidates in its financial statements:

Type	Investment	Major Business Line
<b>Utilities</b>	Saskatchewan Power Corporation (SaskPower)	Electricity
	Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Information and Communications Technology
	SaskEnergy Incorporated (SaskEnergy)	Natural Gas Storage and Delivery
	Saskatchewan Water Corporation (SaskWater)	Water and Wastewater Management
<b>Insurance</b>	Saskatchewan Government Insurance (SGI CANADA)	Property and Casualty Insurance
<b>Entertainment</b>	Saskatchewan Gaming Corporation (SGC)	Entertainment
<b>Investment and Economic Growth</b>	CIC Asset Management Inc. (CIC AMI)	Investments
	Saskatchewan Opportunities Corporation (SOCO)	Research Parks
	Saskatchewan Immigrant Investor Fund (SIIF)	Construction Loans
<b>Transportation</b>	Saskatchewan Transportation Company (STC) <sup>1</sup>	Passenger and Freight Transportation

<sup>1</sup> STC operations ceased in 2017-18. See Note 6 of the condensed consolidated interim financial statements.

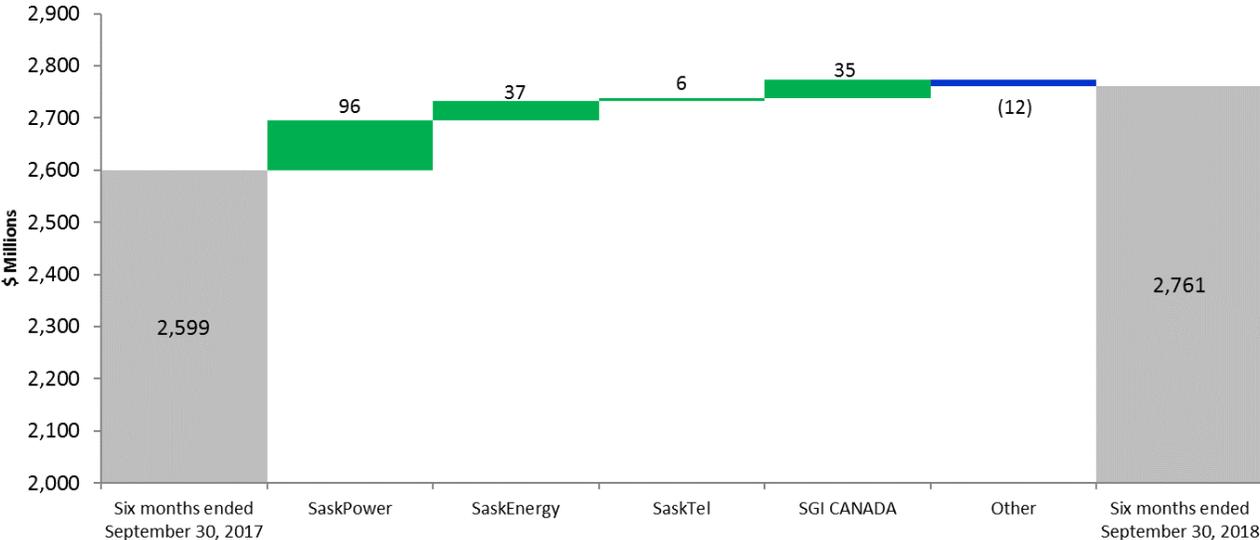
Subsidiary Corporation Earnings (millions of dollars) (unaudited)	For the six months ended	
	September 30 2018	September 30 2017
<b>SaskPower</b>	\$ 94.2	\$ 30.2
<b>SaskTel</b>	67.8	63.1
<b>SaskEnergy</b>	24.3	(4.5)
<b>SGC</b>	11.6	13.1
<b>SaskWater</b>	4.5	6.3
<b>SOCO</b>	1.8	2.1
<b>CIC AMI</b>	0.5	0.6
<b>STC</b>	(0.2)	2.5
<b>SIIF</b>	(1.8)	(0.3)
<b>SGI CANADA</b>	(5.1)	3.4
<b>CIC (Separate)</b>	82.1	69.5
<b>Other<sup>2</sup></b>	<u>(84.1)</u>	<u>(81.3)</u>
<b>Net earnings</b>	<u>\$ 195.6</u>	<u>\$ 104.7</u>

<sup>2</sup> Includes First Nations and Métis Fund Inc., Gradworks Inc. (dissolved on March 31, 2018), CIC Economic Holdco Ltd., CIC's investment in Information Services Corporation and consolidation adjustments. Consolidation adjustments reflect the elimination of all inter-entity transactions, such as grants from CIC to Crown corporations, revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC.

The Corporation's consolidated net earnings for the six months ended September 30, 2018 were \$195.6 million (2017 - \$104.7 million) or \$90.9 million higher than the same period in 2017. The Corporation experienced higher net earnings in the period primarily due to increased earnings at SaskPower and SaskEnergy, partially offset by decreased earnings at SGI CANADA. A more detailed discussion of net earnings is included on the pages following.

# Management’s Discussion and Analysis (continued)

## Changes in Revenue



Revenue for the six months ended September 30, 2018 was \$2,761.4 million (2017 - \$2,598.9 million) or a \$162.5 million increase over the same period in 2017 primarily related to increases at SaskPower, SaskEnergy and SGI CANADA.

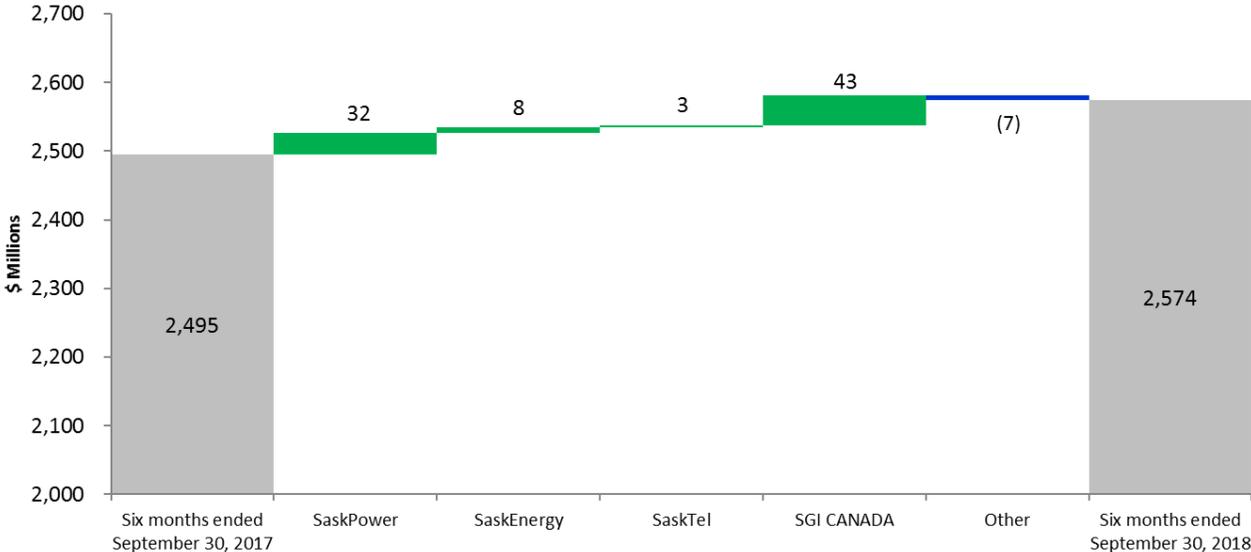
SaskPower revenue increased by \$96.0 million primarily due to a 3.5 per cent system-wide average rate increase which became effective March 1, 2018. Increased electricity sales volumes to Saskatchewan customers also contributed to the additional revenue.

SaskEnergy revenue increased by \$37.2 million primarily due to increased demand as a result of colder weather and increased gas marketing activity in response to natural gas price volatility. Delivery revenue also increased due to rate increases effective November 1, 2017.

SGI CANADA revenue increased by \$34.8 million primarily due to increased premiums written in Saskatchewan and Alberta. Saskatchewan premiums written increased primarily due to the introduction of flood insurance and rate increases in personal and agriculture lines due to inflation. Customer growth in personal lines, personal auto, and commercial auto contributed to the majority of the increase in Alberta.

# Management’s Discussion and Analysis (continued)

## Changes in Total Operating Expenses and Net Finance Expense



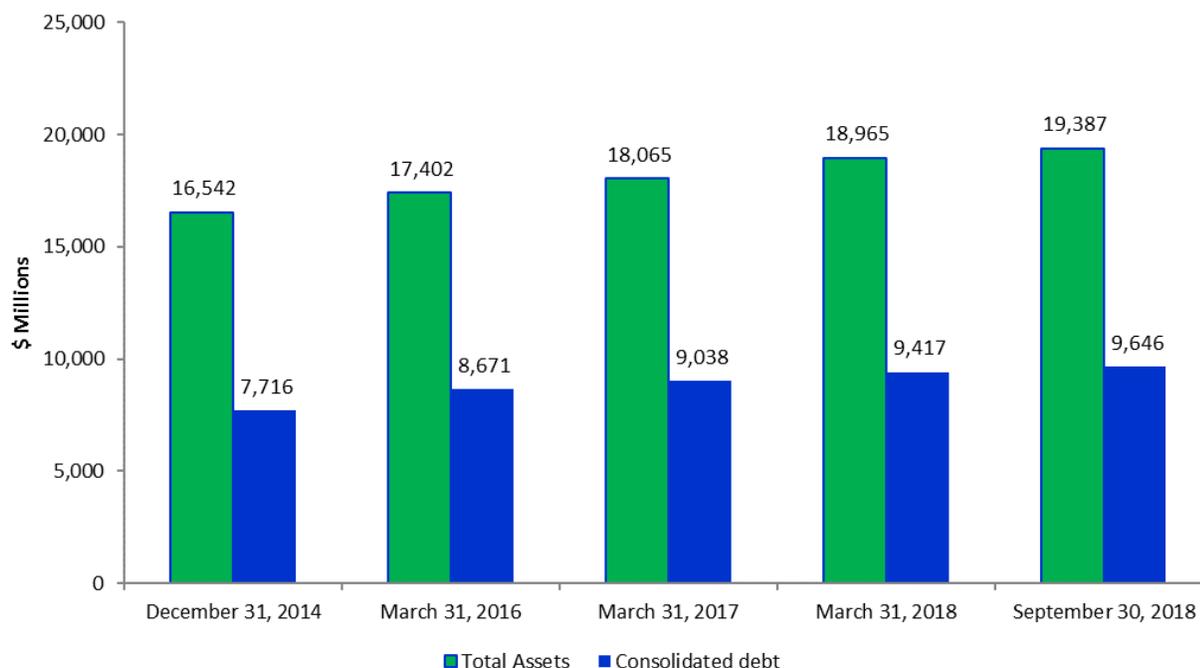
Total operating and net finance expense for the six months ended September 30, 2018 were \$2,574.4 million (2017 - \$2,495.3 million) or a \$79.1 million increase from the same period in 2017 primarily related to increases at SaskPower and SGI CANADA.

Total operating and net finance expense increased at SaskPower by \$32.4 million primarily due to increased facility maintenance as a result of severe weather and increased depreciation due to its continued investment in infrastructure.

Total operating and net finance expense increased at SGI CANADA by \$43.4 million primarily due to increased claims as a result of premium growth in all jurisdictions and larger commercial lines claims in Saskatchewan. Commissions and premium taxes also increased due to premium growth.

## Management's Discussion and Analysis (continued)

### Capital Spending



For the six months ended September 30, 2018, property, plant and equipment, intangible asset and investment property purchases were \$665.4 million (2017 - \$660.3 million) or a \$5.1 million increase from the same period in 2017. Major capital expenditures included:

- \$403.1 million at SaskPower related to new generation assets including the Chinook Power Station, connecting customers to the electric system, increasing capacity, and sustaining generation, transmission and distribution infrastructure;
- \$119.3 million at SaskEnergy primarily related to customer connections, system expansions to meet industrial customer growth, and spending to ensure the safety and integrity of its extensive distribution and transmission systems; and
- \$118.6 million at SaskTel on Fibre to the Premises, wireless network enhancements and basic network growth and enhancements.

Consolidated debt at September 30, 2018 was \$9,646.2 million (March 2018 - \$9,416.8 million). The increase is primarily due to additional debt at SaskPower, SaskEnergy and SaskTel used to fund a portion of their capital expenditures during the period. This was partially offset by decreased debt at SIIF as a result of repayments made to the Government of Canada pursuant to the Immigrant Investor Program.

## Management's Discussion and Analysis (continued)

### Liquidity and Capital Resources

CIC and its subsidiary Crowns finance capital requirements through internally generated cash flow and borrowing. The GRF borrows in capital markets on behalf of Crowns. The GRF has sufficient access to capital markets for anticipated borrowing requirements.

#### Province of Saskatchewan Credit Ratings on Long-Term Debt as at September 30, 2018

Moody's Investor Service	Aaa
Standard & Poor's	AA
Dominion Bond Rating Service	AA

Cash Flow Highlights (millions of dollars) (unaudited)	For the six months ended	
	September 30 2018	September 30 2017
Net cash from operating activities	\$ 589.3	\$ 665.5
Net cash used in investing activities	(686.3)	(671.1)
Net cash from financing activities	171.8	81.2
Change in cash and cash equivalents	<u>\$ 74.8</u>	<u>\$ 75.6</u>

#### Operating, Investing and Financing Activities

Net cash from operating activities for the six months ended September 30, 2018 was \$589.3 million (2017 - \$665.5 million) or a decrease of \$76.2 million. Cash from operating activities decreased primarily due to less favourable changes in non-cash working capital balances.

Net cash used in investing activities for the six months ended September 30, 2018 was \$686.3 million (2017 - \$671.1 million). The \$15.2 million increase is primarily due to increased investment purchases at CIC Separate due to the timing of investment maturities. This was partially offset by decreased investment purchases at SIIF as cash was required to repay the Government of Canada pursuant to the Immigrant Investor Program.

Net cash from financing activities for the six months ended September 30, 2018 was \$171.8 million (2017 - \$81.2 million). The increase of \$90.6 million was due to increased long-term debt partially offset by decreased notes payable and increased net sinking fund installments.

#### Debt Management

CIC and its subsidiary Crowns prudently manage debt to maintain and enhance financial flexibility. The CIC Board has approved debt targets for CIC and its commercial subsidiaries that take into account their individual circumstances and industry benchmarks.

## **Management's Discussion and Analysis (continued)**

### **Outlook**

The Corporation's outlook for net earnings is highly dependent upon the performance and management of the subsidiary corporations. Earnings expectations are also subject to many variables including: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, competition and the regulatory environment.

The Corporation projects continued strong operating performance. Net earnings are largely driven by utility Crowns that have relatively stable operating environments, stable or growing customer demand, and rates that are set in accordance with commercial principles. The Corporation anticipates significant ongoing challenges including maintaining and expanding utility infrastructure at SaskPower, SaskEnergy and SaskWater; keeping pace with industry technological change at SaskTel; as well as the upcoming federally legislated carbon tax. Significant capital expenditures in these companies are expected in the medium term.

In addition, continued volatility in financial markets may further affect valuation of pension liabilities, provisions, portfolio investments, and natural gas price management instruments and inventory.

**Crown Investments Corporation of Saskatchewan**  
**Condensed Consolidated Interim Statement of Financial Position**  
**As at**  
**(thousands of dollars)**  
**(unaudited)**

	Note	(Unaudited) September 30 2018	(Audited*) March 31 2018
<b>ASSETS</b>			
Current			
Cash and cash equivalents		\$ 234,208	\$ 170,616
Short-term investments		146,306	165,953
Short-term investments under securities lending program		49,752	58,200
Accounts receivable		1,018,489	1,073,333
Restricted cash and cash equivalents		20,785	30,068
Derivative financial assets		40,309	70,196
Inventories		304,996	275,203
Prepaid expenses		209,012	218,482
Contract assets	3	56,800	-
Contract costs	3	16,139	-
Assets held-for-sale	6	33,232	10,022
		<b>2,130,028</b>	<b>2,072,073</b>
Restricted cash and cash equivalents		4,663	4,663
Long-term investments		1,708,236	1,621,896
Long-term investments under securities lending program		241,024	198,912
Contract assets	3	18,489	-
Contract costs	3	40,104	-
Investments in equity accounted investees		142,674	140,959
Property, plant and equipment		14,512,052	14,276,125
Investment property		174,229	174,637
Intangible assets		401,902	457,531
Other assets		13,730	18,629
		<b>\$ 19,387,131</b>	<b>\$ 18,965,425</b>
<b>LIABILITIES AND PROVINCE'S EQUITY</b>			
Current			
Bank indebtedness		\$ 3,955	\$ 15,218
Trade and other payables		750,462	919,293
Derivative financial liabilities		175,918	216,786
Notes payable		1,249,206	1,563,495
Deferred revenue		519,269	572,589
Provisions		273,437	245,109
Finance lease obligations		27,745	20,167
Long-term debt due within one year		107,531	125,412
Contract liabilities	3	126,941	-
		<b>3,234,464</b>	<b>3,678,069</b>
Contract liabilities	3	971	-
Provisions		761,766	713,366
Finance lease obligations		1,096,449	1,110,260
Long-term debt		8,289,441	7,727,862
Employee future benefits		202,959	248,588
Other liabilities		214,787	223,656
		<b>13,800,837</b>	<b>13,701,801</b>
Province of Saskatchewan's Equity			
Equity advances		908,889	908,889
Contributed surplus		85	85
Retained earnings		4,587,829	4,303,094
Accumulated other comprehensive income	8	89,491	51,556
		<b>5,586,294</b>	<b>5,263,624</b>
		<b>\$ 19,387,131</b>	<b>\$ 18,965,425</b>

Commitments and contingencies 9

(See accompanying notes)

\*As presented in the audited March 31, 2018 consolidated financial statements.

**Crown Investments Corporation of Saskatchewan  
Condensed Consolidated Interim Statement of Comprehensive Income  
For the Period  
(thousands of dollars)  
(unaudited)**

Note	July 1 to September 30 2018	July 1 to September 30 2017	April 1 to September 30 2018	April 1 to September 30 2017
<b>INCOME FROM OPERATIONS</b>				
Revenue	\$ 1,373,038	\$ 1,292,834	\$ 2,761,375	\$ 2,598,886
Other income	2,396	1,823	3,758	3,216
	<b>1,375,434</b>	1,294,657	<b>2,765,133</b>	2,602,102
<b>EXPENSES</b>				
Operating	660,460	626,330	1,318,835	1,235,873
Salaries, wages and short-term employee benefits	215,975	217,893	447,856	445,162
Employee future benefits	10,456	9,755	21,349	20,724
Depreciation and amortization	222,764	215,963	442,557	430,827
Loss on disposal of property, plant and equipment	3,611	32,224	8,853	38,244
Impairment reversals	(9,953)	(13,800)	(9,968)	(4,903)
Research and development	16	68	70	75
Provision for decommissioning and environmental remediation	-	-	28,000	-
Saskatchewan taxes and fees	44,482	45,034	90,197	89,263
	<b>1,147,811</b>	1,133,467	<b>2,347,749</b>	2,255,265
<b>RESULTS FROM OPERATING ACTIVITIES</b>				
	<b>227,623</b>	161,190	<b>417,384</b>	346,837
Finance income	27,037	19,636	55,884	40,781
Finance expenses	(142,539)	(141,339)	(282,571)	(280,806)
<b>NET FINANCE EXPENSES</b>				
	<b>(115,502)</b>	(121,703)	<b>(226,687)</b>	(240,025)
Share of net earnings from equity accounted investees	2,724	975	5,085	2,768
<b>EARNINGS FROM CONTINUING OPERATIONS</b>				
	<b>114,845</b>	40,462	<b>195,782</b>	109,580
Loss from discontinued operations	6 (53)	(1,819)	(164)	(4,912)
<b>NET EARNINGS</b>				
	<b>114,792</b>	38,643	<b>195,618</b>	104,668
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Defined benefit plan actuarial gains	25,784	25,647	47,245	7,489
Unrealized losses on sinking funds	(16,244)	(10,367)	(13,449)	(7,665)
Unrealized gains (losses) on cash flow hedges	2,592	(21,677)	3,910	(24,593)
Realized gains on cash flow hedges	-	10,421	-	10,421
Amounts amortized to net earnings and included in net finance expenses	114	150	229	336
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
	<b>12,246</b>	4,174	<b>37,935</b>	(14,012)
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN</b>				
	<b>\$ 127,038</b>	\$ 42,817	<b>\$ 233,553</b>	\$ 90,656

(See accompanying notes)

**Crown Investments Corporation of Saskatchewan**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
**For the Period**  
**(thousands of dollars)**  
**(unaudited)**

	<b>Attributable to the Province of Saskatchewan</b>					
	Equity Advances	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive (Loss) Income (Note 8)	Total Equity	
Balance at April 1, 2017	\$ 908,889	\$ 85	\$ 4,005,105	\$ (50,699)	\$ 4,863,380	
Total comprehensive income (loss)	-	-	104,668	(14,012)	90,656	
Dividends to the GRF	-	-	-	-	-	
<b>Balance at September 30, 2017</b>	<b>\$ 908,889</b>	<b>\$ 85</b>	<b>\$ 4,109,773</b>	<b>\$ (64,711)</b>	<b>\$ 4,954,036</b>	
Balance at October 1, 2017	\$ 908,889	\$ 85	\$ 4,109,773	\$ (64,711)	\$ 4,954,036	
Total comprehensive income	-	-	398,321	116,267	514,588	
Dividends to the GRF	-	-	(205,000)	-	(205,000)	
<b>Balance at March 31, 2018</b>	<b>\$ 908,889</b>	<b>\$ 85</b>	<b>\$ 4,303,094</b>	<b>\$ 51,556</b>	<b>\$ 5,263,624</b>	
<b>Balance at April 1, 2018</b>						
<b>As previously reported</b>	<b>\$ 908,889</b>	<b>\$ 85</b>	<b>\$ 4,303,094</b>	<b>\$ 51,556</b>	<b>\$ 5,263,624</b>	
<b>Impact of adoption of IFRS 15 (Note 3)</b>	<b>-</b>	<b>-</b>	<b>89,117</b>	<b>-</b>	<b>89,117</b>	
<b>As restated</b>	<b>\$ 908,889</b>	<b>\$ 85</b>	<b>\$ 4,392,211</b>	<b>\$ 51,556</b>	<b>\$ 5,352,741</b>	
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>195,618</b>	<b>37,935</b>	<b>233,553</b>	
<b>Dividends to the GRF</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Balance at September 30, 2018</b>	<b>\$ 908,889</b>	<b>\$ 85</b>	<b>\$ 4,587,829</b>	<b>\$ 89,491</b>	<b>\$ 5,586,294</b>	

(See accompanying notes)

**Crown Investments Corporation of Saskatchewan**  
**Condensed Consolidated Interim Statement of Cash Flows**  
**For the Period**  
**(thousands of dollars)**  
**(unaudited)**

Note	April 1 to September 30 2018	April 1 to September 30 2017
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 195,618	\$ 104,668
Adjustments to reconcile net earnings to cash from operating activities	10 659,402	693,913
	<b>855,020</b>	798,581
Net change in non-cash working capital balances related to operations	10,754	131,116
Interest paid	<b>(276,462)</b>	(264,176)
Net cash from operating activities	<b>589,312</b>	665,521
<b>INVESTING ACTIVITIES</b>		
Interest received	18,319	15,138
Dividends received	1,652	476
Purchase of investments	<b>(628,841)</b>	(457,877)
Proceeds from sale and collection of investments	580,113	430,004
Purchase of property, plant and equipment	<b>(638,872)</b>	(613,296)
Costs related to sale of property, plant and equipment	<b>(1,545)</b>	(2,857)
Purchase of intangible assets	<b>(22,403)</b>	(36,936)
Purchase of investment property	<b>(4,087)</b>	(10,074)
Decrease in restricted cash and cash equivalents	9,283	1,605
Decrease in other assets	87	2,707
Net cash used in investing activities	<b>(686,294)</b>	(671,110)
<b>FINANCING ACTIVITIES</b>		
Decrease in notes payable	<b>(314,289)</b>	(53,524)
(Decrease) increase in other liabilities	<b>(5,999)</b>	8,869
Debt proceeds from the GRF	587,091	344,791
Debt repayments to the GRF	-	(161,591)
Debt proceeds from other lenders	-	343
Debt repayments to other lenders	<b>(49,847)</b>	(26,647)
Sinking fund instalments	<b>(45,119)</b>	(40,535)
Sinking fund redemptions	-	9,462
Net cash from financing activities	<b>171,837</b>	81,168
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS DURING PERIOD</b>	<b>74,855</b>	75,579
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>155,398</b>	143,803
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 230,253</b>	\$ 219,382
Cash and cash equivalents consists of:		
Cash and cash equivalents	\$ 234,208	\$ 232,788
Bank indebtedness	<b>(3,955)</b>	(13,406)
	<b>\$ 230,253</b>	\$ 219,382

(See accompanying notes)

**Crown Investments Corporation of Saskatchewan**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**September 30, 2018**  
**(thousands of dollars)**  
**(unaudited)**

**1. General information**

Crown Investments Corporation of Saskatchewan (CIC) is a corporation domiciled in Canada. The address of CIC's registered office and principal place of business is 400 - 2400 College Avenue, Regina, SK, S4P 1C8. The condensed consolidated interim financial statements of CIC comprise CIC and its subsidiaries (collectively referred to as "CIC" or "the Corporation") and CIC's interest in associates, joint ventures and joint operations with principal activities as described in Note 4 (a).

The results included in these condensed consolidated interim financial statements should not be taken as indicative of the performance to be expected for a full fiscal year due to the seasonal nature of corporate operations.

**2. Basis of preparation**

**a) Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 - *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and accordingly should be read in conjunction with the March 31, 2018 audited consolidated financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on December 5, 2018.

**b) Functional and presentation currency**

These condensed consolidated interim financial statements are presented in Canadian dollars, which is CIC's functional currency.

**3. Application of revised accounting standards**

The following amendments to standards, effective for annual periods beginning on or after January 1, 2018, have been applied in preparing these interim condensed consolidated financial statements:

**IFRS 15, Revenue from Contracts with Customers**

The Corporation has adopted IFRS 15, *Revenue from Contracts with Customers* with a date of initial application of April 1, 2018. In accordance with the transition provisions of IFRS 15, the Corporation has applied IFRS 15 using the cumulative effect method i.e. by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at April 1, 2018. As a result, comparative information has not been restated and continues to be reported under IAS 18, *Revenue*, IAS 11, *Construction Contracts* and IFRIC 18, *Transfers of Assets from Customers*, the standards in effect at the time. In adopting IFRS 15, the Corporation has elected to apply the following expedients:

- a) The Corporation applied the standard retrospectively only to contracts that are not completed contracts at the date of initial application.
- b) The Corporation did not retrospectively restate contract modifications for all contract modifications that occurred before April 1, 2018 when:
  - i. Identifying the satisfied and unsatisfied performance obligations;
  - ii. Determining the transaction price; and
  - iii. Allocating the transaction price to the satisfied and unsatisfied performance obligations.
- c) The Corporation will recognize revenue from contracts where the right to consideration from a customer corresponds directly with the value to the customer of the Corporation's performance completed to date in the amount to which the Corporation has the right to invoice.
- d) The Corporation will not disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period for contracts that have an original expected duration of one year or less and contracts where the right to consideration from a customer corresponds directly with the value to the customer of the Corporation's performance completed to date in the amount to which the Corporation has the right to invoice.
- e) The Corporation will not adjust the promised amount of consideration for the effects of a significant financing component if the Corporation expects, at the contract inception, that the period between when the Corporation transfers the good or service to the customer and when the customer pays for the service will be one year or less.

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**3. Application of revised accounting standards (continued)**

**IFRS 15, Revenue from Contracts with Customers (continued)**

- f) The Corporation may apply the standard to a portfolio of contracts. Specific contract types will be assessed to determine if the portfolio method is most appropriate.

The application of IFRS 15 has significant impacts on the recognition of revenue, specifically from wireless contracts, and the treatment of costs incurred to acquire customer contracts. The impact to retained earnings at April 1, 2018 was \$89.1 million.

**Impact on the statement of financial position (select lines)**

As at September 30, 2018 (thousands of dollars)

	Excluding the impacts of IFRS 15	Impact of IFRS 15	Reclassifications	As reported upon adoption of IFRS 15
<b>ASSETS</b>				
Current				
Prepaid expenses	\$ 214,593	\$ (5,581)	\$ -	\$ 209,012
Contract assets	-	56,800	-	56,800
Contract costs	-	8,349	7,790	16,139
Total current assets	2,062,670	59,568	7,790	2,130,028
Contract assets	-	18,489	-	18,489
Contract costs	-	2,550	37,554	40,104
Intangible assets	447,246	-	(45,344)	401,902
Other assets	17,309	(3,579)	-	13,730
Total assets	\$ 19,310,103	\$ 77,028	\$ -	\$ 19,387,131
<b>LIABILITIES AND PROVINCE'S EQUITY</b>				
Current				
Deferred revenue	\$ 650,855	\$ (4,645)	\$ (126,941)	\$ 519,269
Contract liabilities	-	-	126,941	126,941
Total current liabilities	3,239,109	(4,645)	-	3,234,464
Contract liabilities	-	-	971	971
Other liabilities	220,155	(4,397)	(971)	214,787
Total liabilities	13,809,879	(9,042)	-	13,800,837
Retained earnings	4,501,789	86,070	-	4,587,829
Total liabilities and Province's equity	\$ 19,310,103	\$ 77,028	\$ -	\$ 19,387,131

**Impact on the statement of comprehensive income (select lines)**

For the period ended September 30, 2018 (thousands of dollars)

	Excluding the impacts of IFRS 15	Impact of IFRS 15	As reported upon adoption of IFRS 15
<b>INCOME FROM OPERATIONS</b>			
Revenue	\$ 2,751,782	\$ 9,593	\$ 2,761,375
<b>EXPENSES</b>			
Operating	1,302,065	16,770	1,318,835
Depreciation and amortization	446,687	(4,130)	442,557
Total operating expenses	2,335,109	12,640	2,347,749
<b>NET EARNINGS</b>	\$ 198,665	\$ (3,047)	\$ 195,618

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**3. Application of revised accounting standards (continued)**

**IFRS 15, Revenue from Contracts with Customers (continued)**

**Impact on the statement of cash flows (select lines)**

For the period ended September 30, 2018 (thousands of dollars)

	Excluding the impacts of IFRS 15	Impact of IFRS 15	<b>As reported upon adoption of IFRS 15</b>
<b>OPERATING ACTIVITIES</b>			
Net earnings	\$ 198,665	\$ (3,047)	<b>\$ 195,618</b>
Adjustments to reconcile net earnings to cash from operating activities	663,532	(4,130)	<b>659,402</b>
Net change in non-cash working capital balances related to operations	8,450	2,304	<b>10,754</b>
Net cash from operating activities	\$ 594,185	\$ (4,873)	<b>\$ 589,312</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of intangible assets	(27,276)	4,873	<b>(22,403)</b>
Net cash used in investing activities	\$ (691,167)	\$ 4,873	<b>\$ (686,294)</b>

**4. Significant accounting policies**

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those disclosed in CIC's March 31, 2018 audited consolidated financial statements, except as described in Note 3.

The accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements and have been consistently applied by CIC's subsidiaries.

**a) Basis of consolidation**

**Subsidiaries**

Saskatchewan provincial Crown corporations are either designated as subsidiary Crown corporations of CIC or created as CIC Crown corporations under *The Crown Corporations Act, 1993* (the Act). The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, the Corporation also consolidates the accounts of Gradworks Inc., a wholly-owned non-profit subsidiary that was dissolved on March 31, 2018, and the following wholly-owned share capital subsidiaries: CIC Asset Management Inc.; First Nations and Métis Fund Inc.; CIC Economic Holdco Ltd.; and Saskatchewan Immigrant Investor Fund Inc., all of which are domiciled in Canada.

Unaudited condensed separate interim financial statements for CIC have been prepared to show the financial position and results of operations of the corporate entity. In addition, condensed interim financial statements for each of the undernoted Crown corporations, which are consolidated in these financial statements, are prepared and released publicly:

<b>Wholly-owned subsidiaries domiciled in Canada</b>	<b>Principal activity</b>
Saskatchewan Power Corporation (SaskPower)	Electricity
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Information and communications technology
SaskEnergy Incorporated (SaskEnergy)	Natural gas storage and delivery
Saskatchewan Water Corporation (SaskWater)	Water and wastewater management
Saskatchewan Government Insurance (SGI CANADA)	Property and casualty insurance
Saskatchewan Gaming Corporation (SGC)	Entertainment
Saskatchewan Opportunities Corporation (SOCO)	Research parks
Saskatchewan Transportation Company (STC) (Note 6)	Passenger and freight transportation

**Crown Investments Corporation of Saskatchewan**  
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**4. Significant accounting policies (continued)**

**a) Basis of consolidation (continued)**

**Associates and joint ventures (investments in equity accounted investees)**

Associates are those entities in which CIC has significant influence, but not control, over strategic financial and operating decisions. Significant influence is presumed to exist when CIC holds between 20.0 and 50.0 per cent of the voting power of another entity.

Joint ventures are those entities over whose activities CIC has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions; and provide CIC with rights to the net assets of the arrangement.

Associates and joint ventures are accounted for using the equity method and are recognized initially at cost. CIC's investment includes any goodwill identified at acquisition, net of accumulated impairment losses. The condensed consolidated interim financial statements include CIC's share of the total comprehensive income and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of CIC, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When CIC's share of losses exceeds its interest in equity accounted investees, the carrying amount of that interest is reduced and the recognition of further losses is discontinued except to the extent that CIC has an obligation or has made payments on behalf of the investee.

**Joint operations**

Joint operations are those entities over whose activities CIC has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions; and provide CIC with rights to the assets and obligations for the liabilities, related to the arrangement. CIC has classified its 50.0 per cent interest in the Kisbey Gas Gathering and Processing Facility (see Note 6), the Totnes Natural Gas Storage Facility, the Cory Cogeneration Station and BHP Billiton SaskPower Carbon Capture and Storage Knowledge Centre Inc. as joint operations.

The condensed consolidated interim financial statements include CIC's proportionate share of joint operation assets, incurred liabilities, income and expenses.

**Special purpose entities**

CIC has established certain special purpose entities (SPEs) for trading and investment purposes. CIC does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with CIC and the SPE's risks and rewards, CIC concludes that it controls the SPE. SPEs controlled by CIC were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in CIC receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

**Transactions eliminated on consolidation**

Inter-group balances and transactions, and any unrealized income and expenses arising from inter-group transactions, are eliminated in preparing the condensed consolidated interim financial statements. Unrealized gains arising from transactions with investments in equity accounted investees are eliminated against the investment to the extent of CIC's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

**b) New standards not yet adopted**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended September 30, 2018, and have not been applied in preparing these condensed consolidated interim financial statements.

**IFRS 16, Leases**

In January 2016, IFRS 16, *Leases* was issued. IFRS 16 replaces IAS 17, *Leases*. Under the new standard all leases will be brought onto companies' balance sheets. IFRS 16 also removes the classification of leases as either operating leases or finance leases (for the lessee - the lease customer), treating all leases as finance leases. IFRS

**Crown Investments Corporation of Saskatchewan**  
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**4. Significant accounting policies (continued)**

**b) New standards not yet adopted (continued)**

**IFRS 16, Leases (continued)**

IFRS 16 must be adopted for annual periods beginning on or after January 1, 2019 and applied retrospectively with certain practical expedients available. Early adoption is permitted.

IFRS 16 will affect the classification, measurement and valuation of leases. The Corporation is in the process of assessing the impact of the new proposed standard.

**IFRS 17, Insurance Contracts**

In May 2017, the IASB issued IFRS 17 on the accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. IFRS 17 applies to annual periods beginning on or after January 1, 2022, with earlier application permitted if IFRS 15 and IFRS 9 are also adopted. While early adoption is permitted under the standard, OSFI has indicated that early adoption is not allowed. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters. The standard represents a comprehensive IFRS accounting model for insurance contracts and is expected to have a significant impact on financial reporting of insurers. The Corporation is in the process of assessing the impact of the new proposed standard.

**5. Status of CIC**

CIC was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of *The Crown Corporations Act, 1993*. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is not subject to federal and provincial income taxes. Certain associates, joint ventures, joint operations and subsidiaries are not provincial Crown corporations and are subject to federal and provincial income taxes.

**6. Discontinued operations and assets held-for-sale**

During September 2018, a definitive agreement was reached to sell two natural gas liquid extraction plants that are classified as assets held-for-sale. The transaction has received all required approvals and remains subject to customary closing conditions. The transaction is effective October 1, 2018. The assets are measured at the carrying amount, which is also equal to their fair value less costs to sell, and are no longer depreciated.

On March 22, 2017, the Government of Saskatchewan announced that operating and capital subsidies to the Corporation's passenger and freight transportation segment would cease in the upcoming fiscal year resulting in the wind up of the segment. Passenger and freight vehicular operations ceased May 31, 2017. The Corporation and the Government of Saskatchewan are committed to a plan to liquidate the segment. The Corporation has one remaining property that is expected to be disposed of by sale within the next twelve month period and is classified as assets held-for-sale. Depreciation of the asset ceased effective May 31, 2017. The carrying amount of the asset approximates fair value. Current and prior period earnings from the Corporation's passenger and freight transportation segment have been classified as discontinued operations on the Condensed Consolidated Interim Statement of Comprehensive Income.

Assets classified as held-for-sale are comprised of the following:

	<b>September 30 2018</b>	March 31 2018
Property, plant and equipment	\$ 33,232	\$ 10,022

**Crown Investments Corporation of Saskatchewan**  
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**6. Discontinued operations and assets held-for-sale (continued)**

The impact of discontinued operations on net earnings and cash flows was comprised of the following:

	<b>April 1 to September 30 2018</b>	April 1 to September 30 2017
Revenue	\$ -	\$ 2,061
Other income	-	262
	-	2,323
Operating	<b>192</b>	2,466
Salaries, wages and short-term employee benefits	-	3,744
Employee future benefits	-	277
Depreciation and amortization	-	444
Loss on disposal of property, plant and equipment	-	15
Saskatchewan taxes and fees	<b>30</b>	289
	<b>222</b>	7,235
Results from operating activities	<b>(222)</b>	(4,912)
Finance income	<b>58</b>	-
Loss from discontinued operations	<b>\$ (164)</b>	\$ (4,912)
	<b>April 1 to September 30 2018</b>	April 1 to September 30 2017
Cash provided by (used in) operating activities	<b>\$ 2,706</b>	\$ (7,429)
Cash used in investing activities	-	(68)
Net change in cash and cash equivalents	<b>\$ 2,706</b>	\$ (7,497)

**7. Equity advances and capital disclosures**

CIC does not have share capital. However, CIC has received advances from the GRF to form its equity capitalization. The advances are an equity investment in CIC by the GRF.

Due to its ownership structure, CIC has no access to capital markets for equity. Equity advances in CIC are determined by the shareholder on an annual basis. Dividends to the GRF are determined through the Saskatchewan provincial budget process on an annual basis.

CIC closely monitors its debt level utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in CIC's capital structure. CIC uses this measure in assessing the extent of financial leverage and in turn, its financial flexibility.

Too high a ratio relative to target indicates an excessive debt burden that may impair CIC's ability to withstand downturns in revenues and still meet fixed payment obligations. The ratio is calculated as net debt divided by capitalization at the end of the period.

CIC reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure consistency with industry standards. This review includes subsidiary Crown corporations' plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the CIC Board. CIC uses targeted debt ratios to compile a weighted average debt ratio for the CIC Crown sector.

CIC raises most of its capital requirements through internal operating activities and long-term debt through the GRF. This type of borrowing allows CIC to take advantage of the Province of Saskatchewan's strong credit rating and receive financing at attractive interest rates.

CIC made no changes to its approach to capital management during the period.

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**7. Equity advances and capital disclosures (continued)**

The debt ratio is as follows:

	<b>September 30 2018</b>	March 31 2018
Total debt (a)	\$ 9,646,178	\$ 9,416,769
Less: Sinking funds	(978,953)	(935,587)
Net debt	8,667,225	8,481,182
Equity	5,586,294	5,263,624
Capitalization	<b>\$ 14,253,519</b>	<b>\$ 13,744,806</b>
Debt ratio	<b>60.8%</b>	61.7%

a) Total debt includes long-term debt, long-term debt due within one year and notes payable.

**8. Accumulated other comprehensive income**

	<b>September 30 2018</b>	March 31 2018
Items that may be reclassified to net earnings:		
Unrealized losses on sinking funds	\$ (29,255)	\$ (15,806)
Unrealized losses on cash flow hedges	(39,547)	(43,457)
Realized losses on cash flow hedges	(11,925)	(12,154)
	<b>(80,727)</b>	(71,417)
Items that will not be reclassified to net earnings:		
Impact of changes in defined benefit plan actuarial assumptions	170,218	122,973
	<b>\$ 89,491</b>	<b>\$ 51,556</b>

**9. Commitments and contingencies**

CIC has various legal matters pending which, in the opinion of management, will not have a material effect on CIC's consolidated financial position or results of operations. Should the ultimate resolution of actions differ from management's assessments and assumptions, a material adjustment to CIC's financial position or results of operations could result.

**10. Condensed consolidated interim statement of cash flows**

	<b>April 1 to September 30 2018</b>	April 1 to September 30 2017
<b>Adjustments to reconcile net earnings to cash provided from operating activities</b>		
Depreciation and amortization	\$ 442,557	\$ 431,271
Share of earnings from investments in equity accounted investees	(5,085)	(2,768)
Defined benefit pension plan expense	559	578
Provision for decommissioning and environmental remediation liabilities	28,000	-
Unrealized losses (gains) on derivative financial instruments	658	(6,257)
Inventory (recoveries) write-downs	(13,792)	12,145
Loss on disposal of property, plant and equipment	8,853	38,259
Impairment reversals	(9,968)	(4,903)
Net finance expenses	226,687	240,025
Reclassification of natural gas hedges transitional market value losses	(13,413)	(10,717)
Other non-cash items	(5,654)	(3,720)
	<b>\$ 659,402</b>	<b>\$ 693,913</b>

**Crown Investments Corporation of Saskatchewan**  
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**11. Fair value of financial instruments**

Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of inputs used in the valuation.

Level 1 - Unadjusted quoted prices for identical assets or liabilities are readily available from an active market. The Corporation defines an active market based on the frequency of valuation, any restrictions or illiquidity on disposition of the underlying asset or liability, and trading volumes.

Level 2 - Inputs, other than quoted prices included in level 1 that are observable either directly or indirectly.

Level 3 - Inputs are not based on observable market data.

CIC's financial instruments at fair value are categorized within this hierarchy as follows:

**September 30, 2018**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 234,208	\$ -	\$ -	\$ 234,208
Restricted cash and cash equivalents	25,448	-	-	25,448
Bank indebtedness	3,955	-	-	3,955
Notes payable	1,249,206	-	-	1,249,206
Investments carried at fair value through profit or loss	367,937	533,268	182,001	1,083,206
Investments carried at fair value through other comprehensive income	-	978,953	-	978,953
Investments - amortized cost	-	83,004	-	83,004
Long-term debt	-	9,407,153	-	9,407,153
Physical natural gas contracts - net	-	10,859	-	10,859
Natural gas price swaps - net	-	(147,651)	-	(147,651)
Physical electric forwards - net	-	1,213	-	1,213
Electricity contracts for differences - net	-	57	-	57
Foreign exchange forwards - net	-	(87)	-	(87)

March 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 170,616	\$ -	\$ -	\$ 170,616
Restricted cash and cash equivalents	34,731	-	-	34,731
Bank indebtedness	15,218	-	-	15,218
Notes payable	1,563,495	-	-	1,563,495
Investments carried at fair value through profit or loss	387,719	431,926	172,911	992,556
Investments carried at fair value through other comprehensive income	-	935,587	-	935,587
Investments - amortized cost	-	116,448	-	116,448
Long-term debt	-	9,027,902	-	9,027,902
Physical natural gas contracts - net	-	10,182	-	10,182
Natural gas price swaps - net	-	(164,974)	-	(164,974)
Physical electricity forwards - net	-	8,464	-	8,464
Electricity contracts for differences - net	-	(215)	-	(215)
Foreign exchange forwards - net	-	(47)	-	(47)

**12. Comparative figures**

Certain of the comparative figures have been reclassified to conform to the current period's presentation.

# **CIC SEPARATE FINANCIAL STATEMENTS**

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# Separate Financial Statements

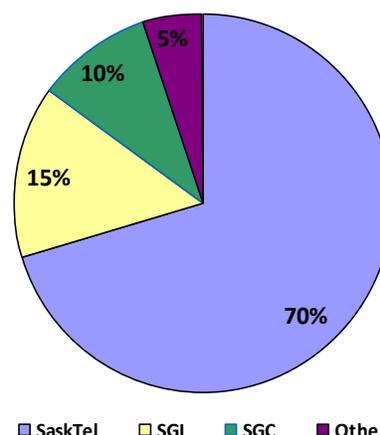
## Management's Discussion and Analysis

CIC is the Provincial Government's holding company for its commercial Crowns. CIC has invested equity in its subsidiary Crown corporations and collects dividends from these corporations. Dividends are based on the overall financial health of the subsidiary Crown and its need for capital investment.

This narrative on CIC's separate September 30, 2018 second quarter results should be read in conjunction with the March 31, 2018 audited separate financial statements.

For the purposes of this narrative on CIC's separate financial results, "CIC" refers to the holding company.

**Dividend Revenue**



## Financial Results

CIC Separate Second Quarter Earnings (millions of dollars) (unaudited)	For the six months ended	
	September 30 2018	September 30 2017
Dividend revenue	\$ 85.6	\$ 80.8
Add: Finance and other revenue	0.9	0.5
Less: Operating, salaries and other expenses	(4.4)	(4.8)
Grants to Saskatchewan Transportation Company (STC)	-	(7.0)
<b>Total Separate Earnings</b>	<b>\$ 82.1</b>	<b>\$ 69.5</b>

## Net Earnings

Net earnings for six months ended September 30, 2018 were \$82.1 million (2017 - \$69.5 million), an increase of \$12.6 million. The increase in net earnings is primarily due to higher dividend revenue of \$4.8 million and a decrease in grants to STC of \$7.0 million. A more detailed discussion of the net earnings is included on the pages following.

## Dividend Revenue

Dividend revenue for the six months ended September 30, 2018 was \$85.6 million (2017 - \$80.8 million). The \$4.8 million increase is primarily due to SaskTel declaring a \$4.9 million higher dividend compared to the same period of 2017-18 resulting from stronger financial performance and more capacity to pay a higher dividend.

Crown dividend capacity considers infrastructure reinvestment requirements and financial performance.

## Management's Discussion and Analysis (continued)

### Dividend Revenue (continued)

For the first six months of each fiscal period, dividends from subsidiary Crown corporations are based on 50 per cent of forecast dividends for the period. However, impacts on Crowns such as weather can result in insufficient earnings to provide dividends. The forecast dividend is calculated in accordance with CIC's dividend policy and typically based on a percentage of earnings from operations; however, various factors may lead to an amount being set on an alternate basis. Dividend targets are based on the overall financial health of the subsidiary Crown and its need for capital investment. These targets are subject to change during the period if there is a significant change in circumstances. The 2018-19 budgeted dividends and per cent of operating earnings are as follows:

<b>CIC Crown Corporations 2018-19 Earnings &amp; Dividend Budget</b> (millions of dollars)			
	<b>Earnings (Loss)</b>	<b>Dividend to CIC</b>	<b>Dividend % of Operating Earnings<sup>1</sup></b>
SaskPower	\$ 176.7	\$ -	-
SaskTel	133.0	119.7	90%
SaskEnergy	68.4	23.9	35%
SGI CANADA <sup>2</sup>	60.7	39.0	N/A
SGC	23.0	18.4	80%
CIC AMI	7.6	-	-
SaskWater	6.2	1.6	25%
SOCO	3.4	3.0	90%
SIIF	0.1	-	-
STC <sup>3</sup>	(0.5)	6.4	N/A
CIC (separate) and other <sup>4</sup>	(9.1)	4.3	N/A

<sup>1</sup> Dividends paid to CIC are typically based on a percentage of operating earnings; however, various factors may lead to a dividend amount being set on an alternate basis.

<sup>2</sup> SGI CANADA's dividend payout has been set at an amount in alignment with achieving the company's minimum capital test target of 242 per cent.

<sup>3</sup> Due to wind up of STC, the dividend will include all remaining cash at year end estimated at \$6.4 million.

<sup>4</sup> Includes FNMF, CIC Economic Holdco Ltd., other interagency adjustments and dividend from CIC's 31.0 per cent ownership of ISC.

### Operating, Salaries and Other Expenses

Operating, salaries and other expenses for the six months ended September 30, 2018 were \$4.4 million (2017 - \$4.8 million). CIC continues to show restraint and these expenses are consistent with the same period of 2017-18.

### Grants to STC

In the six months ended September 30, 2018, CIC provided Nil (2017 - \$7.0 million) in grants to STC. In the first quarter of 2017-18, STC received \$7.0 million in grants to support operations and wind-up activities.

## Management's Discussion and Analysis (continued)

### Liquidity and Capital Resources

Cash Flow Highlights (millions of dollars) (unaudited)	For the six months ended	
	September 30 2018	September 30 2017
Net cash from operating activities	\$ 106.0	\$ 90.1
Net cash used in investing activities	(49.1)	(18.7)
Net cash used in financing activities	<u>-</u>	<u>-</u>
Net change in cash	<u>\$ 56.9</u>	<u>\$ 71.4</u>

### Liquidity

CIC finances its capital requirements through internally-generated cash flow and, in rare circumstances, through borrowing from the GRF. The GRF borrows on CIC's behalf in capital markets.

### Operating, Investing and Financing Activities

Net cash from operating activities for the six months ended September 30, 2018 was \$106.0 million (2017 - \$90.1 million), an increase of \$15.9 million. Cash from operating activities increased primarily due to higher earnings before the impacts of non-cash items as a result of higher dividend revenue and lower grants to STC.

Net cash used in investing activities for the six months ended September 30, 2018 was \$49.1 million (2017 - \$18.7 million), an increase of \$30.4 million. This is primarily due to the increase in purchases of short-term investments of \$29.0 million compared to the same period last year due to the timing of maturity dates. CIC also received a \$2.0 million repayment from CIC's investment in First Nations & Métis Fund Inc. in the first six months of 2017-18 and did not receive a repayment in the first six months of 2018-19.

### Debt Management

CIC as a legal entity has no debt. Currently, CIC does not expect to borrow in 2018-19.

### Outlook and Key Factors Affecting Performance

Since CIC is a holding company, the key factor affecting its earnings is the level of subsidiary Crown corporation earnings and, in turn, dividends. The CIC Board determines dividend levels after considering medium term reinvestment needs within each Crown corporation to sustain operations, to grow and diversify, and for debt reduction if necessary.

CIC regularly assesses the appropriateness of the carrying value of its investments and writes down an investment if it judges there to be a permanent impairment in carrying value. CIC regularly reviews its investments in private sector partners to determine the appropriateness of retention or sale.

**Crown Investments Corporation of Saskatchewan  
Condensed Separate Interim Statement of Financial Position  
As at  
(thousands of dollars)**

	Note	(Unaudited) September 30 2018	(Audited*) March 31 2018
<b>ASSETS</b>			
Current			
Cash and cash equivalents		\$ 116,439	\$ 59,586
Short-term investments		50,000	-
Interest and accounts receivable		227	36
Dividends receivable		47,860	73,521
		<b>214,526</b>	133,143
Equity advances to Crown corporations	6	1,168,074	1,168,074
Investments in share capital corporations		2,428	2,428
Equipment		209	248
		<b>\$ 1,385,237</b>	\$ 1,303,893
<b>LIABILITIES AND PROVINCE'S EQUITY</b>			
Current			
Interest and accounts payable		\$ 1,614	\$ 2,344
Province of Saskatchewan's Equity			
Equity advances		908,889	908,889
Retained earnings		474,734	392,660
		<b>1,383,623</b>	1,301,549
		<b>\$ 1,385,237</b>	\$ 1,303,893

(See accompanying notes)

\*As presented in the audited March 31, 2018 separate statement of financial position.

**Crown Investments Corporation of Saskatchewan**  
**Condensed Separate Interim Statement of Comprehensive Income**  
**For the Period**  
**(thousands of dollars)**  
**(unaudited)**

	Note	July 1 to September 30 2018	July 1 to September 30 2017	April 1 to September 30 2018	April 1 to September 30 2017
<b>INCOME FROM OPERATIONS</b>					
Dividend revenue	7	\$ 48,945	\$ 40,588	\$ 85,625	\$ 80,794
Other income		14	-	14	-
		<b>48,959</b>	40,588	<b>85,639</b>	80,794
<b>EXPENSES</b>					
Operating		552	927	1,449	1,801
Salaries and short-term employee benefits		1,388	1,391	2,779	2,789
Employee future benefits		89	88	181	177
Depreciation and amortization		21	20	41	30
		<b>2,050</b>	2,426	<b>4,450</b>	4,797
<b>EARNINGS FROM OPERATIONS</b>					
		<b>46,909</b>	38,162	<b>81,189</b>	75,997
Finance income		558	258	889	456
Finance expenses		(2)	(2)	(4)	(4)
<b>NET FINANCE INCOME</b>					
		<b>556</b>	256	<b>885</b>	452
<b>EARNINGS BEFORE PUBLIC POLICY INITIATIVES</b>					
		<b>47,465</b>	38,418	<b>82,074</b>	76,449
Grants to Saskatchewan Transportation Company (STC)		-	-	-	(7,000)
<b>NET EARNINGS</b>					
		<b>47,465</b>	38,418	<b>82,074</b>	69,449
<b>OTHER COMPREHENSIVE INCOME</b>					
		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN</b>					
		<b>\$ 47,465</b>	\$ 38,418	<b>\$ 82,074</b>	\$ 69,449

(See accompanying notes)

**Crown Investments Corporation of Saskatchewan**  
**Condensed Separate Interim Statement of Changes in Equity**  
**For the period**  
**(thousands of dollars)**  
**(unaudited)**

**Attributable to the Province of Saskatchewan**

	<b>Equity Advances</b>	<b>Retained Earnings</b>	<b>Total Equity</b>
Balance at April 1, 2017	\$ 908,889	\$ 384,495	\$ 1,293,384
Total comprehensive income	-	69,449	69,449
Balance at September 30, 2017	\$ 908,889	\$ 453,944	\$ 1,362,833
Balance at October 1, 2017	\$ 908,889	\$ 453,944	\$ 1,362,833
Total comprehensive income	-	143,716	143,716
Dividends to the General Revenue Fund	-	(205,000)	(205,000)
Balance at March 31, 2018	\$ 908,889	\$ 392,660	\$ 1,301,549
<b>Balance at April 1, 2018</b>	<b>\$ 908,889</b>	<b>\$ 392,660</b>	<b>\$ 1,301,549</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>82,074</b>	<b>82,074</b>
<b>Balance at September 30, 2018</b>	<b>\$ 908,889</b>	<b>\$ 474,734</b>	<b>\$ 1,383,623</b>

(See accompanying notes)

**Crown Investments Corporation of Saskatchewan  
Condensed Separate Interim Statement of Cash Flows  
For the Period  
(thousands of dollars)  
(unaudited)**

Note	April 1 to September 30 2018	April 1 to September 30 2017
<b>OPERATING ACTIVITIES</b>		
	\$ 82,074	\$ 69,449
Net earnings		
Items not affecting cash from operations		
Depreciation and amortization	41	30
Net finance income	(885)	(452)
	<b>81,230</b>	69,027
Net change in non-cash working capital balances related to operations	8	21,078
Interest paid	(4)	(4)
Net cash from operating activities	<b>105,966</b>	90,101
<b>INVESTING ACTIVITIES</b>		
Interest received	889	456
Increase in short-term investments	(50,000)	(21,007)
Repayment of due from First Nations and Metis Fund Inc.	-	1,950
Purchase of equipment	(2)	(142)
Net cash used in investing activities	<b>(49,113)</b>	(18,743)
<b>FINANCING ACTIVITIES</b>		
Dividend paid to General Revenue Fund	-	-
Net cash used in financing activities	-	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS DURING PERIOD</b>	<b>56,853</b>	71,358
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>59,586</b>	52,628
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 116,439</b>	\$ 123,986

(See accompanying notes)

**Crown Investments Corporation of Saskatchewan**  
**Notes to Condensed Separate Interim Financial Statements**  
**September 30, 2018**  
**(thousands of dollars)**  
**(unaudited)**

**1. General information**

Crown Investments Corporation of Saskatchewan (CIC) is a corporation domiciled in Canada. The address of CIC's registered office and principal place of business is 400 - 2400 College Avenue, Regina, SK, S4P 1C8. CIC was established to act as a holding corporation for the Province's commercial Crown sector. CIC develops broad corporate policy, directs investments for its subsidiaries and provides dividends to the Province's General Revenue Fund (GRF). A list of CIC's subsidiaries is contained in Note 5.

**2. Basis of preparation**

**a) Statement of compliance**

The condensed separate interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 - *Interim Financial Reporting*. The policies set out have been consistently applied to all the periods presented unless otherwise noted. CIC's condensed separate interim financial statements are prepared at the request of the Legislative Assembly of Saskatchewan. The condensed separate interim financial statements do not include all the information required for full annual financial statements, and accordingly should be read in conjunction with the March 31, 2018 audited separate financial statements.

The condensed separate interim financial statements were authorized for issue by the CIC Board of Directors on December 5, 2018.

**b) Functional and presentation currency**

These condensed separate interim financial statements are presented in Canadian dollars, which is CIC's functional currency.

**3. Application of revised accounting standards**

The following amendments to standards, effective for annual periods beginning on or after January 1, 2018, have been applied in preparing these interim condensed separate financial statements:

**IFRS 15, Revenue from Contracts with Customers**

The Corporation has adopted IFRS 15, *Revenue from Contracts with Customers* with a date of initial application of April 1, 2018. In accordance with the transition provisions of IFRS 15, the Corporation has applied IFRS 15 using the cumulative effect method, which recognizes the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at April 1, 2018. As a result, comparative information has not been restated.

The standard does not have a material impact on the condensed separate financial statements.

**4. Summary of significant accounting policies**

The accounting policies and methods of computation used in the preparation of these condensed separate interim financial statements are consistent with those disclosed in CIC's March 31, 2018 audited separate financial statements except as described in Note 3.

CIC's condensed separate interim financial statements do not consolidate the activities of its subsidiaries. Other than this exception, the accounting policies have been consistently applied by CIC's subsidiary corporations.

CIC prepares condensed consolidated interim financial statements. The unaudited condensed consolidated interim financial statements were authorized by the CIC Board of Directors on December 5, 2018. CIC's condensed consolidated interim financial statements should be referenced for further information.

**a) IFRS 16, Leases**

In January 2016, IFRS 16, *Leases* was issued. IFRS 16 replaces IAS 17, *Leases*. Under the new standard all leases will be brought onto companies' balance sheets. IFRS 16 also removes the classification of leases as either operating leases or finance leases (for the lessee - the lease customer), treating all leases as finance leases. IFRS 16 must be adopted for annual periods beginning on or after January 1, 2019. IFRS 16 will affect the classification, measurement and valuation of leases. CIC is currently assessing the impact of the standard on the condensed separate interim financial statements.

**Crown Investments Corporation of Saskatchewan**  
**Notes to Condensed Separate Interim Financial Statements**  
**September 30, 2018**  
**(thousands of dollars)**  
**(unaudited)**

**5. Status of Crown Investments Corporation of Saskatchewan**

CIC was established by Order in Council 535/47 dated April 2, 1947 and is continued under the provisions of *The Crown Corporations Act, 1993* (the Act). CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is not subject to federal and provincial income taxes. Certain jointly controlled enterprises and subsidiaries are not provincial Crown corporations and are subject to federal and provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following wholly-owned Crown corporations have been designated or created by Order in Council:

Saskatchewan Power Corporation	Saskatchewan Telecommunications
SaskEnergy Incorporated	Saskatchewan Telecommunications
Saskatchewan Water Corporation	Holding Corporation
Saskatchewan Government Insurance	Saskatchewan Gaming Corporation
Saskatchewan Opportunities Corporation	Saskatchewan Transportation Company <sup>1</sup>

<sup>1</sup> STC operations ceased in 2017-18. See Note 6 of the condensed consolidated interim financial statements.

In addition to the above Crown corporations, CIC is the sole shareholder of CIC Asset Management Inc. (CIC AMI), First Nations and Métis Fund Inc. (FNMF), Saskatchewan Immigrant Investor Fund Inc. (SIIF), and CIC Economic Holdco Ltd., which are wholly-owned share capital subsidiaries. All subsidiary Corporations are domiciled in Canada.

**6. Equity advances to Crown corporations**

	<b>September 30</b>	March 31
	<b>2018</b>	2018
Saskatchewan Power Corporation	\$ 659,993	\$ 659,993
Saskatchewan Telecommunications Holding Corporation	250,000	250,000
Saskatchewan Opportunities Corporation	97,850	97,850
Saskatchewan Government Insurance	80,000	80,000
SaskEnergy Incorporated	71,531	71,531
Saskatchewan Water Corporation	8,700	8,700
	<b>\$ 1,168,074</b>	<b>\$ 1,168,074</b>

**7. Dividend revenue**

	<b>April 1</b>	April 1
	<b>to September 30</b>	to September 30
	<b>2018</b>	2017
Saskatchewan Telecommunications Holding Corporation	\$ 59,872	\$ 54,950
Saskatchewan Government Insurance	12,500	12,500
Saskatchewan Gaming Corporation	8,958	9,414
Information Services Corporation	2,170	2,170
Saskatchewan Opportunities Corporation	1,340	1,011
Saskatchewan Water Corporation	785	749
	<b>\$ 85,625</b>	<b>\$ 80,794</b>

**8. Net change in non-cash working capital balances related to operations**

	<b>April 1</b>	April 1
	<b>to September 30</b>	to September 30
	<b>2018</b>	2017
Increase in interest and accounts receivable	\$ (191)	\$ (113)
Decrease in dividends receivable	25,661	21,923
Decrease in interest and accounts payable	(730)	(732)
	<b>\$ 24,740</b>	<b>\$ 21,078</b>