

Quarter 3 Financial Report

For the period ended September 30, 2015

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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 2015 third quarter financial results should be read in conjunction with the December 31, 2014 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 December 31, 2014 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 are prepared in accordance with International Financial Reporting Standards (IFRS) and include:

- Financial results of subsidiary Crown corporations:

Wholly-owned subsidiaries domiciled in Canada

SaskEnergy Incorporated

Saskatchewan Gaming Corporation

Saskatchewan Government Insurance

Saskatchewan Opportunities Corporation

Saskatchewan Power Corporation

Saskatchewan Telecommunications Holding Corporation

and Saskatchewan Telecommunications

Saskatchewan Transportation Company

Saskatchewan Water Corporation

Principal Activity

Natural gas storage and delivery

Entertainment

Property and casualty insurance

Research parks

Electricity

Telecommunications

Passenger and freight transportation

Water and waste water management

- 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)

- Costs incurred by its wholly-owned non-profit subsidiary Gradworks Inc.;
- 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 the Corporation's cash-flow, capital support for certain subsidiary corporations, and public policy expenditures. These financial statements include:

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

Consolidated Financial Statements

Management's Discussion and Analysis

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 regulatory environment. Given these uncertainties, assumptions contained in the forward-looking statements may or may not occur.

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.

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 unaudited condensed consolidated interim financial statements and supporting notes for the period ended September 30, 2015. These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting*.

The unaudited condensed consolidated interim financial statements do not include all the disclosures included in CIC's annual audited consolidated financial statements. Accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with CIC's December 31, 2014 audited consolidated 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

Management's Discussion and Analysis (continued)

Major Lines of Business (continued)

December 31, 2014 audited consolidated financial statements, except as described in Note 3 to the unaudited condensed consolidated interim financial statements.

For purposes of CIC's consolidated MD&A, "CIC" and "the Corporation" refers to the consolidated entity. 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
Utilities	Saskatchewan Power Corporation (SaskPower)	Electricity
	Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications
	SaskEnergy Incorporated (SaskEnergy)	Natural Gas Storage and Delivery
	Saskatchewan Water Corporation (SaskWater)	Water and Wastewater Management
Insurance	Saskatchewan Government Insurance (SGI)	Property and Casualty Insurance
Entertainment	Saskatchewan Gaming Corporation (SGC)	Entertainment
Investment and Economic Growth	CIC Asset Management Inc. (CIC AMI)	Investments
	Saskatchewan Opportunities Corporation (SOCO)	Research Parks
	Saskatchewan Immigrant Investor Fund (SIIF)	Construction Loans
Transportation	Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation

Subsidiary Corporation Earnings		
(millions of dollars) (unaudited)	For the nine months ended	
	September 30 2015	September 30 2014
SaskTel	\$ 85.1	\$ 72.0
SaskEnergy	34.1	39.0
SGI	23.0	18.5
SaskPower	22.2	98.3
SGC	20.0	18.9
SaskWater	5.6	4.7
CIC AMI	2.9	(2.1)
SOCO	1.5	2.4
STC	1.3	0.3
SIIF	(0.5)	(1.4)
CIC (separate), Consolidation Adjustments and Other ¹	<u>(30.3)</u>	<u>(15.8)</u>
Net earnings	\$ <u>164.9</u>	\$ <u>234.8</u>

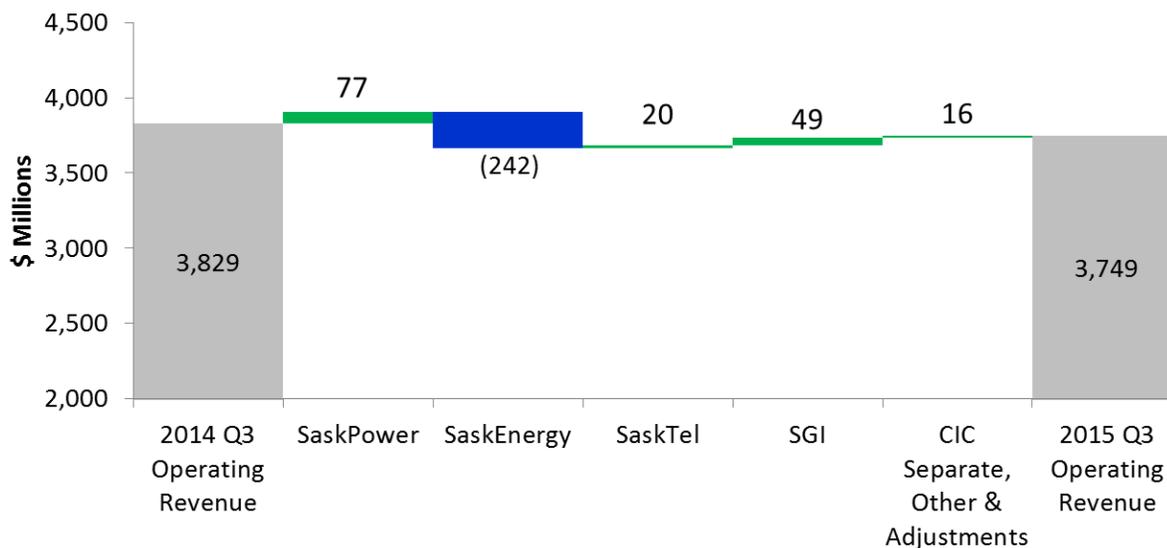
¹ Consolidation adjustments reflect the elimination of all inter-entity transactions, such as grants from CIC to Crown corporations, revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC.

The Corporation's consolidated net earnings for the nine months ended September 30, 2015 were \$164.9 million (2014 - \$234.8 million) or \$69.9 million lower than the same period in 2014. The decrease were primarily related to a decrease in earnings at SaskPower, SaskEnergy and an impairment loss on CIC's investment in Information Services Corporation (ISC) partially offset by an increase in earnings at SaskTel, SGI and CIC AMI.

Management's Discussion and Analysis (continued)

Revenue

Changes in Operating Revenue



Revenue for the first nine months of 2015 was \$3,748.6 million (2014 - \$3,828.8 million) or an \$80.2 million decrease over the same period in 2014 primarily related to:

- A \$242.1 million decrease in SaskEnergy revenue primarily due to a large decrease in gas marketing activity relating to a narrowing of current and future price differentials.

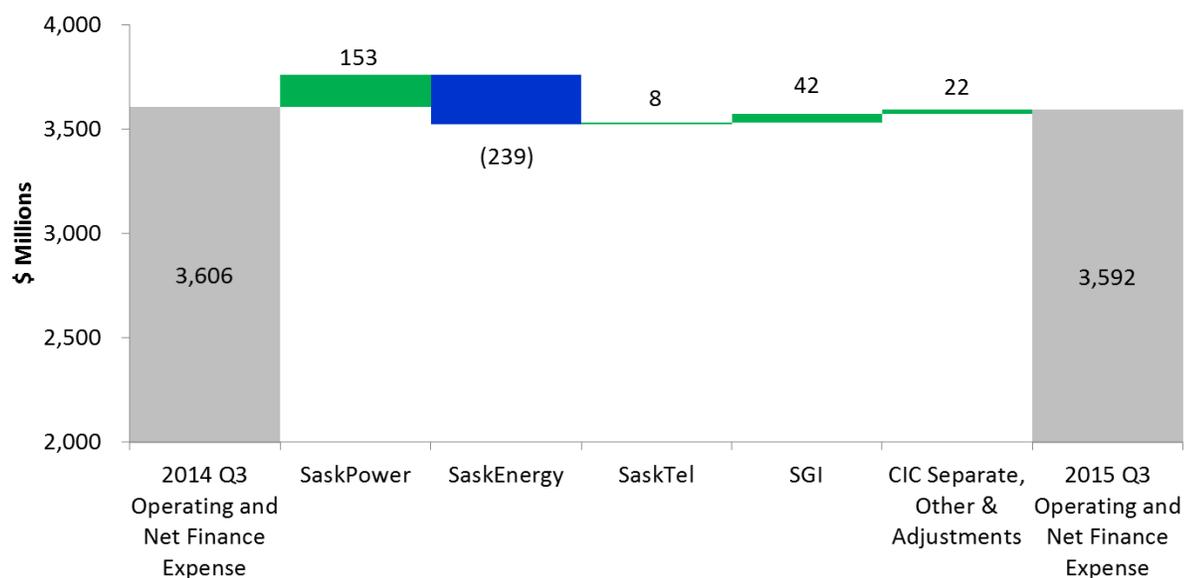
The decrease in revenue was partially offset by:

- A \$77.3 million increase in SaskPower revenue primarily due to an increase in Saskatchewan electricity sales from a 3.0 per cent system-wide average interim rate increase effective January 1, 2015 and a 2.0 per cent rate increase effective September 1, 2015 combined with increased power usage driven by growth. Also, SaskPower had higher customer contributions and carbon dioxide sales and fees for the use of the Shand Carbon Capture Test Facility;
- A \$49.2 million increase in SGI revenue driven from increased revenue in Saskatchewan, Alberta, and Ontario. Saskatchewan revenue increased primarily as a result of personal lines. Alberta experienced large increases in personal lines and personal auto insurance, and Ontario had increases primarily related to increased sales volumes in personal auto insurance; and
- A \$20.1 million increase in SaskTel revenue primarily driven by growth in internet subscribers, the wireless customer base, increased revenue per customer related to a shift to two year price plans, maxTV entertainment services due to increased number of customers and increased revenue per customer, and increased equipment sales primarily related to wireless devices. These are partially offset by decreased wireless wholesale revenues due to less revenue from all carriers roaming on SaskTel's network and decreased local and enhanced service and long distance revenues as a result of customers moving from wireline to wireless services, commonly referred to as wireless substitution.

Management's Discussion and Analysis (continued)

Operating Expenses and Net Finance Expense

Changes in Operating Expenses and Net Finance Expense



Operating expenses and net finance expense for the first nine months of 2015 was \$3,592.3 million (2014 - \$3,606.3 million) or a \$14.0 million decrease from the same period in 2014 primarily related to:

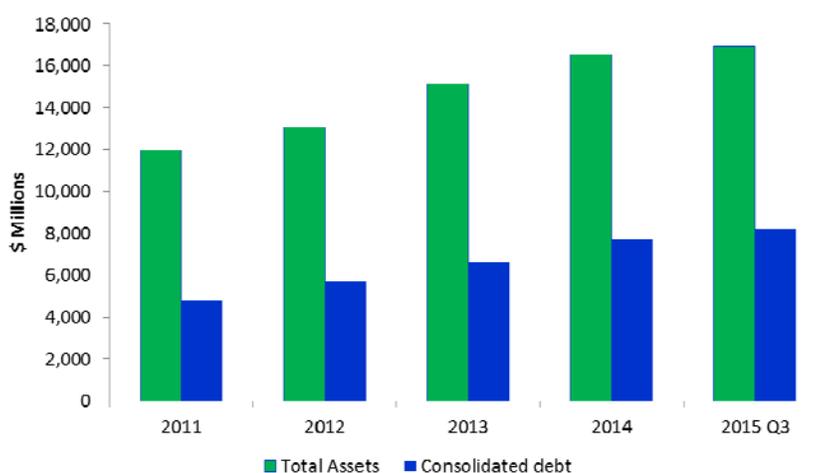
- A \$238.5 million decrease in SaskEnergy expenses mainly related to decreases in gas marketing activity relating to a narrowing of current and future price differentials and decreases in commodity purchases due to lower gas volume to customers related to warm weather in 2015. These decreases were partially offset by an unfavourable change in unrealized market value adjustments.

The decrease in operating expenses and net finance expense was partially offset by:

- An increase of \$152.7 million in SaskPower expenses primarily related to unfavourable market value adjustments compared to favourable market value adjustments in the same period for 2014, higher fuel costs related to lower hydro generation being replaced by more expensive natural gas generation and increased depreciation and net finance expenses as a result of significant capital investments. These increases were partially offset by lower impairment losses and lower operating costs from cost constraint measures in 2015. The same period in 2014 included impairment losses related to advanced metering infrastructure;
- An increase of \$42.1 million in SGI expenses primarily related to higher commissions and premium taxes correlated with revenue growth; higher claim costs in Alberta from increases in the severity of auto claims and large losses in commercial lines; higher claim costs in Manitoba related to increased storm activity; and higher storm claims, large losses in commercial lines, an increase in the number of auto claims and a mandatory 12.5 per cent rate decrease effective July 1, 2014 for personal auto insurance in Ontario. These increases were partially offset by lower storm claims in Saskatchewan;
- An impairment loss of \$15.7 million on CIC's 31.0 per cent ownership in ISC due to a decrease in the market value of the shares; and
- An increase of \$7.8 million in SaskTel expenses primarily related to an increase in depreciation and net finance expense due to significant capital investment and sinking fund valuation adjustments partially offset by lower operating costs from cost constraint measures.

Management's Discussion and Analysis (continued)

Capital Spending



In the first nine months of 2015, property, plant and equipment, intangible asset and investment property purchases were \$1,067.2 million (2014 - \$1,282.5 million). Major 2015 capital expenditures included:

- \$680.3 million at SaskPower related to renewing generation assets such as repowering the Queen Elizabeth Power Station, connecting customers to the electric system, increasing capacity, sustaining transmission and distribution infrastructure, and information technology projects;
- \$211.7 million at SaskTel on growth initiatives such as Fibre to the Premise, wireless network enhancements and network growth and enhancements. These investments will provide increased internet access speeds, enhanced maxTV services, increased roaming capacity and data speeds, enhance customer interface and expand service offerings;
- \$131.6 million at SaskEnergy primarily on system expansion to meet residential and industrial customer growth to ensure the safety and integrity of its extensive distribution and transmission systems; and
- \$34.9 million at SaskWater primarily related to the potash industry.

In the first nine months of 2015, investment purchases were \$981.5 million (2014 - \$853.1 million), an increase of \$128.4 million. The majority of the increases were related to:

- An \$82.3 million increase in purchases at SGI attributed to efforts to manage its short and long-term investment portfolio asset mix during the period;
- A \$24.7 million increase in purchases at SIIF as a result of new mortgages issued;
- An \$11.4 million increase in purchases of investments related to CIC Separate, which is mostly the result of reclassifications of cash between cash and cash equivalents and short-term investments. Short-term money market investments are classified as cash and cash equivalents if the maturity of the investment is 90 days or less and classified as short-term investments if the maturity date is 91 days or more; and
- A \$9.9 million increase in purchases of investments related to CIC AMI, which is mostly the result of reclassifications of cash between cash and cash equivalents and short-term investments.

Management's Discussion and Analysis (continued)

Consolidated debt at September 30, 2015 was \$8,242.5 million (December 31, 2014 - \$7,716.1 million), an increase of \$526.4 million. The increase in debt is primarily due to:

- A \$497.8 million increase in SaskPower debt to fund its \$680.3 million in capital expenditures during the period; and
- A \$30.0 million increase in SaskTel debt to fund a portion of its \$211.7 million in capital expenditures during the period.

These increases in debt were partially offset by an \$8.3 million decrease in SaskEnergy debt primarily from decreased capital spending.

Liquidity

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, 2015

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

Liquidity and Capital Resources

Cash Flow Highlights (millions of dollars) (unaudited)	For the nine months ended	
	September 30 2015	September 30 2014
Net cash from operating activities	\$ 707.5	\$ 715.9
Net cash used in investing activities	(1,191.9)	(1,381.7)
Debt proceeds received	495.6	1,040.5
Debt repaid	(10.8)	(59.2)
Increase (decrease) in notes payable	33.6	(245.1)
Other financing activities	<u>(91.7)</u>	<u>(39.3)</u>
Change in cash and cash equivalents	<u>\$ (57.7)</u>	<u>\$ 31.1</u>

Operating, Investing and Financing Activities

Net cash from operating activities for the nine months ended September 30, 2015 was \$707.5 million (2014 - \$715.9 million) or a decrease of \$8.4 million. The decrease relates to:

- A \$69.9 million decrease in net earnings;
- A \$132.6 million decrease in non-cash working capital balances;
- An \$11.3 million increase in interest paid, attributed to higher consolidated debt balances.

These decreases were partially offset by a \$203.6 million increase in adjustments to reconcile net earnings to cash from operating activities (see details in Note 10 to the unaudited condensed consolidated interim financial statements).

Management's Discussion and Analysis (continued)

Operating, Investing and Financing Activities (continued)

Net cash used in investing activities for the nine months ended September 30, 2015 was \$1,191.9 million (2014 - \$1,381.7 million). The \$189.8 million decrease in cash outflows is primarily related to:

- A \$215.2 million decrease in capital expenditures mostly related to SaskPower; and
- A \$35.8 million cash inflow as a result of the change year-over-year in restricted cash from a \$19.9 million decrease in 2015 compared to an increase of \$15.9 million for the same period in 2014.

This was partially offset by:

- A net \$60.7 million increase in cash outflows results from a \$128.4 million increase in purchase of investments primarily related to CIC Separate, CIC AMI and SGI partially offset by a \$67.7 million increase in proceeds from sale and collection of investments. The changes year-over-year in CIC Separate and CIC AMI are mostly the result of reclassifications of cash between cash and cash equivalents and short-term investments. Short-term money market investments are classified as cash and cash equivalents if the maturity of the investment is 90 days or less and classified as short-term investments if the maturity date is 91 days or more. SGI changes are related to turning over its investment portfolio to change its asset mix during the period.

Net cash from financing activities for the nine months ended September 30, 2015 was \$426.7 million (2014 - \$696.9 million). The decrease in cash inflow of \$270.2 million was due to:

- A \$544.9 million decrease in debt proceeds due to reduced capital spending; and
- A \$4.0 million increase in cash outflows from debt repaid and other financing activities.

This was partially offset by:

- A \$278.7 million change in notes payable as the Corporation increased its notes payable by \$33.6 million in 2015 compared to a decrease of \$245.1 million in the same period in 2014.

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.

Outlook

The Corporation's outlook related to 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, performance and competition, and the regulatory environment.

The Corporation projects continued strong operating performance. Net earnings are largely driven by utility Crowns that have 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 and SaskEnergy, as well as keeping pace with industry technological change at SaskTel. 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, portfolio investments, and natural gas price management instruments.

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

		September 30 2015	December 31 2014
	Note		
ASSETS			
Current			
Cash and cash equivalents		\$ 331,751	\$ 391,604
Short-term investments		376,360	192,575
Accounts receivable		775,424	818,276
Restricted cash and cash equivalents		94,433	114,342
Derivative financial assets		19,765	27,497
Inventories		376,418	374,527
Prepaid expenses		158,621	136,538
Assets held-for-sale	6	<u>6,090</u>	<u>6,090</u>
		2,138,862	2,061,449
Restricted cash and cash equivalents		4,733	4,766
Long-term investments		1,538,631	1,467,137
Investments in equity accounted investees		123,698	142,036
Property, plant and equipment		12,781,064	12,295,498
Investment property		162,360	166,401
Intangible assets		417,948	391,666
Other assets		<u>12,037</u>	<u>13,333</u>
		<u>\$ 17,179,333</u>	<u>\$ 16,542,286</u>
LIABILITIES AND PROVINCE'S EQUITY			
Current			
Bank indebtedness		\$ 13,164	\$ 15,363
Trade and other payables		774,170	917,277
Derivative financial liabilities		204,514	202,692
Notes payable		1,387,036	1,353,369
Deferred revenue		568,016	540,415
Provisions		209,916	218,870
Current portion of finance lease obligations		10,166	8,555
Long-term debt due within one year		<u>183,221</u>	<u>65,523</u>
		3,350,203	3,322,064
Provisions		630,816	571,804
Finance lease obligations		1,133,860	1,136,632
Long-term debt		6,672,242	6,297,225
Employee future benefits		419,284	422,592
Other liabilities		<u>207,809</u>	<u>182,330</u>
		<u>12,414,214</u>	<u>11,932,647</u>
Province of Saskatchewan's Equity			
Equity advances		908,889	908,889
Contributed surplus		85	85
Retained earnings		3,924,331	3,759,399
Accumulated other comprehensive loss	8	<u>(68,186)</u>	<u>(58,734)</u>
		<u>4,765,119</u>	<u>4,609,639</u>
		<u>\$ 17,179,333</u>	<u>\$ 16,542,286</u>
Commitments and contingencies	9		
(See accompanying notes)			

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

	2015 July 1 to September 30	2015 January 1 to September 30	2014 July 1 to September 30	2014 January 1 to September 30
INCOME FROM OPERATIONS				
Revenue	\$ 1,200,435	\$ 3,748,582	\$ 1,215,519	\$ 3,828,806
Other income	<u>2,149</u>	<u>4,110</u>	<u>5,025</u>	<u>6,789</u>
	<u>1,202,584</u>	<u>3,752,692</u>	<u>1,220,544</u>	<u>3,835,595</u>
EXPENSES				
Operating	646,756	1,861,762	677,553	2,022,672
Salaries, wages and short-term employee benefits	210,633	665,106	216,506	671,039
Employee future benefits	9,906	30,750	9,769	29,813
Depreciation and amortization	193,877	573,568	177,523	520,966
Loss on disposal of property, plant and equipment	6,678	11,772	6,832	7,978
Impairment loss (gain) on property, plant and equipment	-	3,452	(20,808)	17,296
Impairment losses on investments	507	16,001	2,479	5,521
Research and development	73	190	90	179
Provision for environmental remediation liabilities	26	26	-	1,000
Saskatchewan taxes and fees	<u>40,377</u>	<u>118,264</u>	<u>39,013</u>	<u>112,714</u>
	<u>1,108,833</u>	<u>3,280,891</u>	<u>1,108,957</u>	<u>3,389,178</u>
RESULTS FROM OPERATING ACTIVITIES	<u>93,751</u>	<u>471,801</u>	<u>111,587</u>	<u>446,417</u>
Finance income	11,676	98,887	32,176	127,445
Finance expenses	<u>(141,362)</u>	<u>(410,259)</u>	<u>(119,098)</u>	<u>(344,602)</u>
NET FINANCE EXPENSES	<u>(129,686)</u>	<u>(311,372)</u>	<u>(86,922)</u>	<u>(217,157)</u>
(LOSS) EARNINGS FROM OPERATIONS	(35,935)	160,429	24,665	229,260
Share of net earnings from equity accounted investees	<u>1,779</u>	<u>4,503</u>	<u>2,317</u>	<u>5,438</u>
(LOSS) EARNINGS FROM CONTINUING OPERATIONS	(34,156)	164,932	26,982	234,698
Net earnings on sale of equity accounted investees	-	-	-	901
Net loss from discontinued operations	6 <u>-</u>	<u>-</u>	<u>-</u>	<u>(815)</u>
NET (LOSS) EARNINGS	<u>(34,156)</u>	<u>164,932</u>	<u>26,982</u>	<u>234,784</u>
OTHER COMPREHENSIVE LOSS				
Defined benefit plan actuarial (losses) gains	(40,512)	8,549	(38,739)	(103,886)
Share of changes in comprehensive income recognized by associates	-	-	-	2
Unrealized (loss) gain on cash flow hedges	(10,685)	17,616	(6,901)	(13,154)
Realized loss on cash flow hedges	-	(35,449)	-	-
Amounts amortized to net earnings and included in net finance expenses	<u>12</u>	<u>(168)</u>	<u>(378)</u>	<u>(1,142)</u>
OTHER COMPREHENSIVE LOSS	<u>(51,185)</u>	<u>(9,452)</u>	<u>(46,018)</u>	<u>(118,180)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN	<u>\$ (85,341)</u>	<u>\$ 155,480</u>	<u>\$ (19,036)</u>	<u>\$ 116,604</u>

(See accompanying notes)

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

	Attributable to the Province of Saskatchewan				
	Equity Advances	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (Note 8)	Total Equity
Balance at January 1, 2014	\$ 908,889	\$ 125	\$ 3,802,660	\$ 104,051	\$ 4,815,725
Total comprehensive income (loss)	-	-	234,784	(118,180)	116,604
Dividends to General Revenue Fund (GRF)	-	-	-	-	-
Other	-	(40)	-	-	(40)
Balance at September 30, 2014	<u>\$ 908,889</u>	<u>\$ 85</u>	<u>\$ 4,037,444</u>	<u>\$ (14,129)</u>	<u>\$ 4,932,289</u>
Balance at October 1, 2014	\$ 908,889	\$ 85	\$ 4,037,444	\$ (14,129)	\$ 4,932,289
Total comprehensive loss	-	-	(72,045)	(44,605)	(116,650)
Dividends to GRF	-	-	(206,000)	-	(206,000)
Balance at December 31, 2014	<u>\$ 908,889</u>	<u>\$ 85</u>	<u>\$ 3,759,399</u>	<u>\$ (58,734)</u>	<u>\$ 4,609,639</u>
Balance at January 1, 2015	<u>\$ 908,889</u>	<u>\$ 85</u>	<u>\$ 3,759,399</u>	<u>\$ (58,734)</u>	<u>\$ 4,609,639</u>
Total comprehensive income (loss)	-	-	164,932	(9,452)	155,480
Dividends to GRF	-	-	-	-	-
Balance at September 30, 2015	<u>\$ 908,889</u>	<u>\$ 85</u>	<u>\$ 3,924,331</u>	<u>\$ (68,186)</u>	<u>\$ 4,765,119</u>

(See accompanying notes)

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

	2015	2014
	January 1 to September 30	January 1 to September 30
Note		
OPERATING ACTIVITIES		
Net earnings	\$ 164,932	\$ 234,784
Adjustments to reconcile net earnings to cash from operating activities	10 <u>938,370</u>	<u>734,785</u>
	1,103,302	969,569
Net change in non-cash working capital balances related to operations	<u>(15,764)</u>	116,881
Interest paid	<u>(380,000)</u>	<u>(368,685)</u>
Cash from operating activities from continuing operations	707,538	717,765
Cash used in operating activities from discontinued operations	6 <u>-</u>	<u>(1,927)</u>
Net cash from operating activities	<u>707,538</u>	<u>715,838</u>
INVESTING ACTIVITIES		
Interest received	21,782	20,049
Dividends received	1,249	3,833
Purchase of investments	<u>(981,517)</u>	<u>(853,055)</u>
Proceeds from sale and collection of investments	811,561	743,819
Purchase of property, plant and equipment	<u>(987,100)</u>	<u>(1,227,911)</u>
Proceeds (costs) related to sale of property, plant and equipment	995	(685)
Purchase of intangible assets	<u>(77,857)</u>	<u>(50,905)</u>
Purchase of investment property	<u>(2,264)</u>	<u>(3,642)</u>
Decrease (increase) in restricted cash and cash equivalents	19,941	(15,888)
Increase in other assets	<u>1,340</u>	<u>2,694</u>
Net cash used in investing activities	<u>(1,191,870)</u>	<u>(1,381,691)</u>
FINANCING ACTIVITIES		
Increase (decrease) in notes payable	33,592	(245,117)
(Decrease) increase in other liabilities	<u>(33,427)</u>	6,419
Debt proceeds from the GRF	494,331	1,015,409
Debt repayments to the GRF	-	(50,000)
Debt proceeds from other lenders	1,284	25,154
Debt repayments to other lenders	<u>(10,851)</u>	<u>(9,208)</u>
Sinking fund instalments	<u>(58,251)</u>	<u>(52,107)</u>
Sinking fund redemptions	-	6,361
Dividend paid to the GRF	<u>-</u>	<u>-</u>
Net cash from financing activities	<u>426,678</u>	<u>696,911</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING PERIOD	(57,654)	31,058
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>376,241</u>	<u>398,121</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 318,587</u>	<u>\$ 429,179</u>
Cash and cash equivalents consists of:		
Cash and cash equivalents from continuing operations	\$ 331,751	\$ 442,325
Bank indebtedness from continuing operations	<u>(13,164)</u>	<u>(13,146)</u>
	<u>\$ 318,587</u>	<u>\$ 429,179</u>

(See accompanying notes)

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 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 December 31, 2014 audited consolidated financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 30, 2015

b) Functional and presentation currency

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

3. Changes in accounting policy and adoption of other standards

a) New standards and amendments

The following amendments to standards, effective for annual periods beginning on or after January 1, 2015, have been applied in preparing these interim condensed consolidated financial statements:

- IFRS 3, *Business combinations*
- IFRS 13, *Fair value measurement*
- IAS 16, *Property, plant and equipment*
- IAS 19, *Employee benefits*
- IAS 24, *Related party disclosures*
- IAS 38, *Intangible assets*

The adoption of these amended standards had no material impact on the interim condensed consolidated financial statements.

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 December 31, 2014 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, 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. (SIIF), all of which are domiciled in Canada.

4. Significant accounting policies (continued)

a) Basis of consolidation (continued)

Subsidiaries (continued)

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:

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

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, the Totnes Natural Gas Storage Facility and the Cory Cogeneration Station as joint operations.

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

4. Significant accounting policies (continued)

a) Basis of consolidation (continued)

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.

CIC has two SPEs, Meadow Lake Pulp Limited Partnership and 212822 Saskatchewan Ltd. These SPEs are not material to CIC's consolidated results.

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, 2015, and have not been applied in preparing these condensed consolidated interim financial statements.

IAS 1, *Presentation of Financial Statements*

In December 2014, IAS 1 was amended to clarify that materiality applies to all parts of the financial statements, that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate, and provides examples of how to clarify understandability and comparability in the ordering of note disclosures. The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Corporation does not expect the amendments to have a material impact on the consolidated financial statements.

IFRS 4, *Insurance Contracts*

In June 2013, the IASB published a revised exposure draft (2013 ED) on the accounting for insurance contracts which was built on the previous consultations undertaken in 2007 and 2010. The 2013 ED is the result of deliberations at the IASB using comments received from constituents. The 2013 ED continues to propose a new standard on accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. The proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers. A final standard is expected in 2016 with implementation not expected before 2019. The Corporation is evaluating the impact this amendment will have on the consolidated financial statements.

IFRS 9, *Financial Instruments*

In July 2014, the final version of IFRS 9, *Financial Instruments* was issued. The standard sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. It also has modified the hedge accounting model to better link the economics of risk management with the accounting treatment of hedges. The standard is effective for reporting periods beginning on or after January 1, 2018. The Corporation is in the process of assessing the impact of the adoption of the standard on the consolidated financial statements.

4. Significant accounting policies (continued)

b) New standards not yet adopted (continued)

IFRS 15, Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The new standard establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of other IFRS standards. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain nonfinancial assets such as property and equipment. Additional disclosures will also be required under the new standard. IFRS 15 must be adopted for annual periods beginning on or after January 1, 2018 using a full retrospective approach for all periods presented in the period of adoption, a modified retrospective approach or a retrospective cumulative effect approach.

IFRS 15 will affect how the Corporation accounts for revenues from contracts with customers and the related contract costs for wireless operations and other segments. The Corporation is in the process of assessing the impact of the adoption of the standard on the consolidated financial statements.

Annual Improvements Cycles

The IASB issued an exposure draft in December 2013 for the annual improvement cycle for 2012-2014. These amendments are effective for annual periods beginning, on or after January 1, 2016. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

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

At the end of 2014, the Corporation committed to a plan to sell a building, located in Prince Albert, during 2015. Accordingly, this asset has been classified as assets held-for-sale. This asset is measured at carrying value, which is less than fair value less cost to sell, and is no longer depreciated.

In March 2014, the Corporation announced that it had entered into an agreement to sell the shares of its 75 per cent owned subsidiary, the Insurance Company of Prince Edward Island (ICPEI), to a third party for a purchase price equal to ICPEI's book value as at the transaction closing date of June 30, 2014. The ICPEI operations represented a separate line of business for the Corporation in the Maritimes. Following receipt of regulatory approval, the sale closed on June 30, 2014 for total proceeds of \$8.7 million representing the book value as at June 30, 2014, resulting in no gain or loss on the sale.

6. Discontinued operations and assets held-for-sale (continued)

As part of the sale agreement, 54 months after the closing date, the purchaser shall deliver to the Corporation a report of the ultimate losses prior to June 30, 2014, certified by the purchaser's appointed actuary. If the amount of the final closing date ultimate loss is greater than the initial closing date ultimate loss, a deficiency, the Corporation shall pay to the purchaser an amount equal to the lesser of \$1.5 million or 75 per cent of the deficiency. Conversely, if the amount of the final closing date ultimate loss is less than the initial closing date ultimate loss, a surplus, the purchaser shall pay to the Corporation an amount equal to the lesser of \$1.5 million or 75 per cent of the surplus. As at December 31, 2014, a surplus of \$0.2 million was estimated, which has not been recorded in the condensed consolidated interim financial statements.

The ICPEI operations represented a separate segment of business for the Corporation. As a result of the sale, these operations have been treated as discontinued operations.

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

	September 30 2015	December 31 2014
Property, plant and equipment	\$ 11	\$ 11
Investment property	<u>6,079</u>	<u>6,079</u>
	<u>\$ 6,090</u>	<u>\$ 6,090</u>

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

	2015 January 1 to September 30	2014 January 1 to September 30
Revenue	<u>\$ -</u>	<u>\$ 12,929</u>
Operating expenses	-	14,127
Salaries, wages and short-term employee benefits	-	404
Depreciation and amortization	<u>-</u>	<u>4</u>
Expenses	<u>-</u>	<u>14,535</u>
Results from operating activities	<u>-</u>	<u>(1,606)</u>
Finance income	-	950
Finance expense	<u>-</u>	<u>(159)</u>
Net finance income	<u>-</u>	<u>791</u>
Net loss from discontinued operations	<u>\$ -</u>	<u>\$ (815)</u>
Cash used in operating activities	-	(7,026)
Cash provided by investing activities	-	7,395
Cash used in financing activities	<u>-</u>	<u>(2,296)</u>
Net change in cash and cash equivalents	<u>\$ -</u>	<u>\$ (1,927)</u>

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. The target ratio for 2015 is 61.6 per cent.

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.

The debt ratio is as follows:

	September 30 2015	December 31 2014
Total debt (a)	\$ 8,242,499	\$ 7,716,117
Less: Sinking funds	<u>(746,355)</u>	<u>(681,096)</u>
Net debt	7,496,144	7,035,021
Equity (b)	<u>4,833,305</u>	<u>4,668,373</u>
Capitalization	<u>\$ 12,329,449</u>	<u>\$ 11,703,394</u>
Debt ratio	60.8%	60.1%

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

b) Equity includes equity advances, contributed surplus and retained earnings.

8. Accumulated other comprehensive loss

	September 30 2015	December 31 2014
Items that may be reclassified to net earnings:		
Foreign currency translation adjustments	\$ 1	\$ 1
Unrealized losses on cash flow hedges	(752)	(18,368)
Realized (losses) gains on cash flow hedges	<u>(2,541)</u>	<u>33,076</u>
	(3,292)	14,709
Items that will not be reclassified to net earnings:		
Defined benefit plan actuarial losses	<u>(64,894)</u>	<u>(73,443)</u>
	<u>\$ (68,186)</u>	<u>\$ (58,734)</u>

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

	2015 January 1 to September 30	2014 January 1 to September 30
	Note	
Adjustments to reconcile net earnings to cash provided from operating activities		
Depreciation and amortization	\$ 573,568	\$ 520,966
Share of earnings from investments in equity accounted investees	(4,503)	(5,438)
Net loss from discontinued operations	6 -	815
Net gain from sale of investments in equity accounted investees	-	(901)
Defined benefit pension plan expense	356	1,024
Recovery of decommissioning and environmental remediation liabilities	(305)	-
Unrealized losses (gains) on derivative financial instruments	26,184	(22,080)
Inventory expense (recovery)	2,743	(6,652)
Loss on disposal of property, plant and equipment	11,772	7,978
Impairment losses	19,453	22,817
Net finance expenses	311,372	217,157
Other non-cash items	<u>(2,270)</u>	<u>(901)</u>
	<u>\$ 938,370</u>	<u>\$ 734,785</u>

12. 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 - Quoted prices are readily available from an active market.

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 are categorized within this hierarchy as follows:

	September 30 2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 331,751	\$ -	\$ -	\$ 331,751
Restricted cash and cash equivalents	99,166	-	-	99,166
Bank indebtedness	13,164	-	-	13,164
Notes payable	1,387,036	-	-	1,387,036
Investments carried at fair value through profit or loss	449,827	1,176,453	127,118	1,753,398
Investments - amortized cost	-	53,819	-	53,819
Loans and receivables - Immigrant Investor Program	-	104,820	-	104,820
Finance lease obligations	-	1,278,327	-	1,278,327
Long-term debt	-	8,165,027	-	8,165,027
Physical natural gas contracts - net	-	(59,281)	-	(59,281)
Natural gas price swaps - net	-	(124,480)	-	(124,480)
Physical electricity forwards - net	-	(251)	-	(251)
Electricity contracts for differences - net	-	21	-	21
Commodity forward contracts - net	-	(758)	-	(758)

13. Comparative figures

Certain of the 2014 comparative figures have been reclassified to conform to the current period's presentation.

Separate Financial Statements

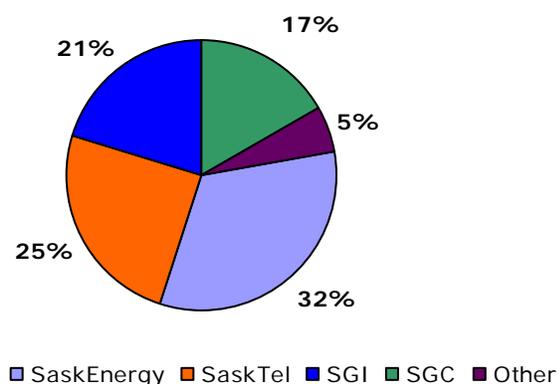
Management's Discussion and Analysis

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 based on their profitability and financial condition.

This narrative on CIC's separate September 30, 2015 third quarter results should be read in conjunction with the December 31, 2014 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 Third Quarter Earnings (millions of dollars) (unaudited)	For the nine months ended	
	September 30 2015	September 30 2014
Dividend revenue	\$ 91.4	\$ 108.2
Add: Finance and other revenue	2.2	2.8
Less: Operating, salaries and other expenses	(7.3)	(8.0)
Grants to subsidiary corporations	<u>(10.9)</u>	<u>(10.7)</u>
Total Separate Earnings	<u>\$ 75.4</u>	<u>\$ 92.3</u>

Net Earnings

Net earnings for the first nine months of 2015 were \$75.4 million (2014 - \$92.3 million), a decrease of \$16.9 million from the same period in 2014. The decrease in earnings is primarily due to a decrease in dividend revenue of \$16.8 million, a decrease in finance and other revenue of \$0.6 million and an increase in grants to subsidiary corporations of \$0.2 million. The decrease in revenue was offset by a decrease in operating, salaries and other expenses of \$0.7 million.

Management's Discussion and Analysis (continued)

Dividend Revenue

Dividend revenue for the nine months ended September 30, 2015 was \$91.4 million (2014 - \$108.2 million). The \$16.8 million decrease is due to decreased dividends from SaskTel (\$30.8 million), SGI (\$2.2 million) and SOCO (\$0.8 million) partially offset by increased dividends from SaskEnergy (\$15.8 million), SaskWater (\$1.1 million) and SGC (\$0.1 million).

For the first nine months of each year, dividends from subsidiary Crown corporations are based on 75 per cent of forecasted dividends for the year. The forecasted dividend is calculated under CIC's dividend policy which applies a percentage payout of net earnings based on the overall financial health of the subsidiary Crown and its need for capital investment. These dividend targets are subject to change during the year if there is a significant change in circumstances. For the current year, the dividend at SaskTel is based on 39 per cent of net earnings, SaskWater is based on 25 per cent of net earnings, SGC is based on 80 per cent of net earnings, SGI is based on 68 per cent of net earnings, SOCO is based on 20 per cent of net earnings and SaskEnergy is based on 55 per cent of net earnings.

Operating, Salaries and Other Expenses

Operating, salaries and other expenses were \$7.3 million for the nine months ended September 30, 2015 (2014 - \$8.0 million). These expenses decreased by \$0.7 million, primarily due to lower salary, benefit and travel costs resulting from staffing vacancies and lower consulting costs.

Grants to Subsidiary Corporations

During the first nine months of 2015, CIC provided \$10.9 million (2014 - \$10.7 million) in grants to subsidiary corporations. STC received \$10.7 million (2014 - \$9.2 million) in grants to support ongoing operations. Gradworks Inc. received \$0.2 million (2014 - \$0.3 million) to fund its internship program. CIC completed the funding to SaskEnergy for the EnerGuide for Houses program in 2014. The funding for 2014 was \$1.2 million.

CIC projects public policy and grant funding expenditures to be as follows: \$13.4 million to support ongoing operations at STC and \$0.3 million of operating grants to Gradworks.

Management's Discussion and Analysis (continued)

Liquidity and Capital Resources

Cash Flow Highlights (millions of dollars) (unaudited)	For the nine months ended	
	September 30 2015	September 30 2014
Net cash from operating activities	\$ 63.0	\$ 97.6
Net cash used in investing activities	(112.1)	(100.7)
Net cash used in financing activities	<u>-</u>	<u>-</u>
Net change in cash	<u>\$ (49.1)</u>	<u>\$ (3.1)</u>

Liquidity

CIC finances its capital requirements through internally-generated cash flow and 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 nine months ended September 30, 2015 was \$63.0 million (2014 - \$97.6 million). The \$34.6 million decrease is primarily the result of a decrease in earnings of \$16.9 million and a decrease in net change in non-cash working capital balances related to operations of \$18.2 million as a result of lower dividends collected in 2015 compared to the same period in 2014.

Net cash used in investing activities for the nine months ended September 30, 2015 was \$112.1 million (2014 - \$100.7 million). The decrease in cash inflows is mainly due to reclassifications of cash between cash and cash equivalents and short-term investments. Short-term money market investments are classified as cash and cash equivalents if the maturity of the investment is 90 days or less and classified as short-term investments if the maturity date is 91 days or more.

Net cash used in financing activities for the nine months ended September 30, 2015 was Nil (2014 - Nil).

Debt Management

CIC as a legal entity has no debt. Currently, CIC does not expect to borrow in 2015.

Outlook and Key Factors Affecting Performance

The key factor affecting CIC's earnings is the level of net earnings and, in turn, dividends from commercial subsidiary Crown corporations. The CIC Board determines dividends from a commercial subsidiary after allocating cash for reinvestment within the Crown to sustain operations, to grow and to diversify, and for debt reduction if necessary.

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

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

	Note	September 30 2015	December 31 2014
ASSETS			
Current			
Cash and cash equivalents		\$ 257,380	\$ 306,466
Short-term investments		117,885	-
Interest and accounts receivable		392	824
Dividends receivable		<u>29,119</u>	<u>19,309</u>
		404,776	326,599
Equity advances to Crown corporations	5	1,186,918	1,188,918
Investments in share capital corporations		9,351	10,964
Equipment		<u>162</u>	<u>224</u>
		<u>\$ 1,601,207</u>	<u>\$ 1,526,705</u>
LIABILITIES AND PROVINCE'S EQUITY			
Current			
Interest and accounts payable		<u>\$ 1,785</u>	<u>\$ 2,686</u>
Province of Saskatchewan's Equity			
Equity advances		908,889	908,889
Retained earnings		<u>690,533</u>	<u>615,130</u>
		<u>1,599,422</u>	<u>1,524,019</u>
		<u>\$ 1,601,207</u>	<u>\$ 1,526,705</u>

(See accompanying notes)

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

		2015 July 1 to September 30	2015 January 1 to September 30	2014 July 1 to September 30	2014 January 1 to September 30
	Note				
INCOME FROM OPERATIONS					
Dividend	6	\$ 30,204	\$ 91,378	\$ 43,773	\$ 108,225
Other income		<u>3</u>	<u>13</u>	<u>-</u>	<u>129</u>
		<u>30,207</u>	<u>91,391</u>	<u>43,773</u>	<u>108,354</u>
EXPENSES					
Operating		905	3,064	641	3,444
Salaries and short-term employee benefits		1,339	3,875	1,404	4,170
Employee future benefits		72	251	80	288
Depreciation and amortization		<u>21</u>	<u>64</u>	<u>25</u>	<u>74</u>
		<u>2,337</u>	<u>7,254</u>	<u>2,150</u>	<u>7,976</u>
EARNINGS FROM OPERATIONS		<u>27,870</u>	<u>84,137</u>	41,623	100,378
Finance income		921	2,196	983	2,670
Finance expenses		<u>(2)</u>	<u>(6)</u>	<u>(1)</u>	<u>(6)</u>
NET FINANCE INCOME		<u>919</u>	<u>2,190</u>	<u>982</u>	<u>2,664</u>
EARNINGS BEFORE PUBLIC POLICY INITIATIVES		28,789	86,327	42,605	103,042
Grants to subsidiary corporations	7	<u>(3,567)</u>	<u>(10,924)</u>	<u>(2,179)</u>	<u>(10,698)</u>
NET EARNINGS		25,222	75,403	40,426	92,344
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN		<u>\$ 25,222</u>	<u>\$ 75,403</u>	<u>\$ 40,426</u>	<u>\$ 92,344</u>

(See accompanying notes)

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

	2015 January 1 to September 30	2014 January 1 to September 30
RETAINED EARNINGS		
Retained earnings - beginning of period	\$ 615,130	\$ 671,399
Total comprehensive income	75,403	92,344
Dividend to the General Revenue Fund	<u>-</u>	<u>-</u>
Retained earnings - end of period	<u>690,533</u>	<u>763,743</u>
EQUITY ADVANCE		
Equity advances - beginning of period	908,889	908,889
Equity advances received	-	-
Equity advances repaid	<u>-</u>	<u>-</u>
Equity advances - end of period	<u>908,889</u>	<u>908,889</u>
EQUITY ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN	<u>\$ 1,599,422</u>	<u>\$ 1,672,632</u>

(See accompanying notes)

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

	2015	2014
	January 1	January 1
Note	to	to
	September 30	September 30
OPERATING ACTIVITIES		
Net earnings	\$ 75,403	\$ 92,344
Items not affecting cash from operations		
Depreciation and amortization	64	74
Net finance income	<u>(2,190)</u>	<u>(2,664)</u>
	73,277	89,754
Net change in non-cash working capital		
balances related to operations	8 (10,279)	7,879
Interest paid	<u>(6)</u>	<u>(6)</u>
Net cash from operating activities	<u>62,992</u>	<u>97,627</u>
INVESTING ACTIVITIES		
Interest received	2,196	2,670
Increase in short-term investments	(117,885)	(106,510)
Proceeds from retraction of equity advances	2,000	2,000
Repayment of due from First Nations and Metis Fund Inc.	1,340	-
Repayment of due from CIC Economic Equity Holdco Ltd.	273	1,140
Purchase of equipment	<u>(2)</u>	<u>(7)</u>
Net cash used in investing activities	<u>(112,078)</u>	<u>(100,707)</u>
FINANCING ACTIVITIES		
Repayment of equity advances	-	-
Dividend paid to General Revenue Fund	<u>-</u>	<u>-</u>
Net cash used in financing activities	<u>-</u>	<u>-</u>
NET CHANGE IN CASH AND CASH		
EQUIVALENTS DURING PERIOD	(49,086)	(3,080)
CASH AND CASH EQUIVALENTS,		
BEGINNING OF PERIOD	<u>306,466</u>	<u>258,356</u>
CASH AND CASH EQUIVALENTS,		
END OF PERIOD	<u>\$ 257,380</u>	<u>\$ 255,276</u>

(See accompanying notes)

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 3.

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 of the information required for full annual financial statements, and accordingly should be read in conjunction with the December 31, 2014 audited separate financial statements.

The condensed separate interim financial statements were authorized for issue by the CIC Board of Directors on November 30, 2015.

b) Functional and presentation currency

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

3. 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 provision 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:

Wholly-owned subsidiaries domiciled in Canada

SaskEnergy Incorporated
Saskatchewan Gaming Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
and Saskatchewan Telecommunications
Saskatchewan Transportation Company
Saskatchewan Water Corporation

Principal Activity

Natural gas storage and delivery
Entertainment
Property and casualty insurance
Research parks
Electricity
Telecommunications
Passenger and freight transportation
Water and waste water management

In addition to the above Crown corporations, CIC is the sole member of Gradworks Inc., a non-profit corporation and 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.

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 December 31, 2014 audited separate financial statements.

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 have been authorized by the CIC Board of Directors on November 30, 2015. CIC's condensed consolidated interim financial statements should be referenced for further information.

5. Equity advances to Crown corporations

Equity advances to Crown corporations are as follows:
(thousands of dollars)

	September 30 2015	December 31 2014
Saskatchewan Power Corporation	\$ 660,000	\$ 660,000
Saskatchewan Telecommunications Holding Corporation	250,000	250,000
Saskatchewan Opportunities Corporation	116,687	118,687
Saskatchewan Government Insurance	80,000	80,000
SaskEnergy Incorporated	71,531	71,531
Saskatchewan Water Corporation	<u>8,700</u>	<u>8,700</u>
	<u>\$ 1,186,918</u>	<u>\$ 1,188,918</u>

6. Dividend revenue

Dividend revenue consists of the following:
(thousands of dollars)

	2015 January 1 to September 30	2014 January 1 to September 30
SaskEnergy Incorporated	\$ 29,928	\$ 14,097
Saskatchewan Telecommunications Holding Corporation	22,500	53,292
Saskatchewan Government Insurance	18,750	21,017
Saskatchewan Gaming Corporation	15,210	15,120
Information Services Corporation	3,255	3,255
Saskatchewan Water Corporation	1,143	-
Saskatchewan Opportunities Corporation	<u>592</u>	<u>1,444</u>
	<u>\$ 91,378</u>	<u>\$ 108,225</u>

7. Grants to subsidiary corporations
(thousands of dollars)

	2015 January 1 to September 30	2014 January 1 to September 30
Saskatchewan Transportation Company	\$ 10,700	\$ 9,200
Gradworks Inc.	224	298
SaskEnergy Incorporated	<u>-</u>	<u>1,200</u>
	<u>\$ 10,924</u>	<u>\$ 10,698</u>

8. Net change in non-cash working capital balances related to operations
(thousands of dollars)

	2015 January 1 to September 30	2014 January 1 to September 30
Decrease (increase) in interest and accounts receivable	\$ 432	\$ (132)
(Increase) decrease in dividends receivable	(9,810)	9,140
Decrease in interest and accounts payable	<u>(901)</u>	<u>(1,129)</u>
	<u>\$ (10,279)</u>	<u>\$ 7,879</u>