

# Quarter 3 Financial Report

## For the period ended December 31, 2016

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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 2016-17 third quarter financial results should be read in conjunction with the March 31, 2016 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, 2016 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)
Saskatchewan Power Corporation (SaskPower)	Saskatchewan Water Corporation (SaskWater)

- 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 CANADA, SGC and SaskWater);
- Dividends from the Corporation's investment in Information Services Corporation;
- Dividends paid by CIC to the GRF;
- Grants to subsidiary corporations; and
- CIC's operating results and public policy expenditures.

## **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 December 31, 2016. 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, 2016 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, 2016 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 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)	Passenger and Freight Transportation

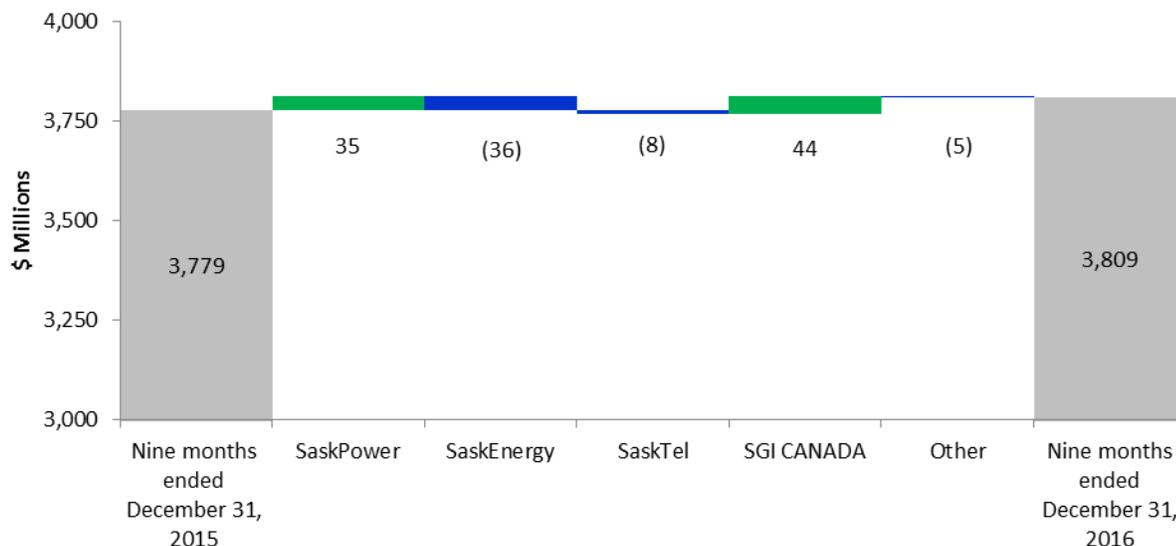
Subsidiary Corporation Earnings (millions of dollars) (unaudited)	For the nine months ended	
	December 31 2016	December 31 2015
<b>SaskEnergy</b>	\$ 131.4	\$ 30.1
<b>SaskTel</b>	81.5	76.9
<b>SaskPower</b>	35.4	(5.5)
<b>SGI CANADA</b>	34.8	18.4
<b>SGC</b>	18.6	21.0
<b>SaskWater</b>	5.6	4.7
<b>CIC AMI</b>	1.0	2.7
<b>STC</b>	0.6	1.6
<b>SIIF</b>	(0.5)	(0.6)
<b>SOCO</b>	-	0.5
<b>CIC (separate)</b>	58.9	80.3
<b>Other<sup>1</sup></b>	<u>(76.4)</u>	<u>(120.5)</u>
<b>Net earnings</b>	<u>\$ 290.9</u>	<u>\$ 109.6</u>

<sup>1</sup> Includes First Nations and Métis Fund Inc., Gradworks Inc., 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 experienced strong earnings in the nine months ended December 31, 2016 primarily due to favourable non-cash market value adjustments on natural gas contracts and natural gas in storage and increased investment earnings. SaskEnergy, SaskPower and SGI CANADA showed growth in net earnings. An impairment in CIC's investment in Information Services Corporation (ISC) reduced earnings in the prior period. The Corporation's consolidated net earnings for the nine months ended December 31, 2016 were \$290.9 million (2015 - \$109.6 million) or \$181.3 million higher than the same period in 2015. 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 nine months ended December 31, 2016 was \$3,808.7 million (December 2015 - \$3,778.5 million) or a \$30.2 million increase over the same period in 2015 primarily related to increases at SaskPower and SGI CANADA partially offset by decreased revenue at SaskEnergy.

SaskPower revenue increased by \$35.2 million primarily due to a 5.0 per cent system-wide average rate increase which became effective July 1, 2016 and a rise in sales volumes from growth in demand from the oilfield and commercial customers. This increase was partially offset by lower customer contributions due to a slowdown of the provincial economy.

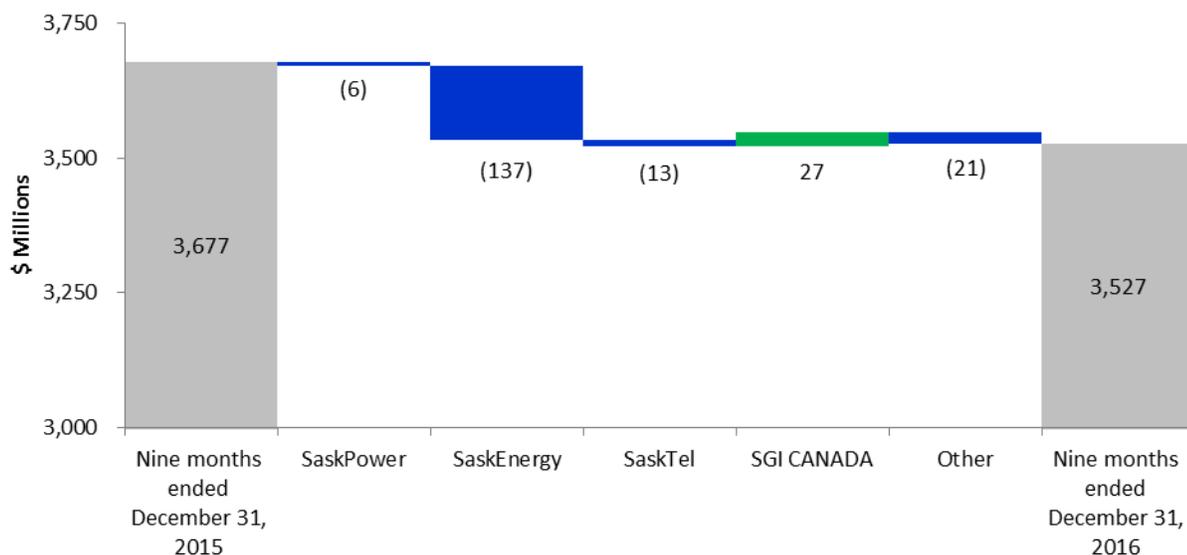
SaskEnergy revenue decreased by \$36.1 million primarily due to a decrease in commodity sales. Commodity sales decreased due to rate decreases effective January 1, 2016 and November 1, 2016, lower volumes delivered to residential and commercial customers as a result of warmer weather and lower customer contributions due to a slowdown of the provincial economy. These decreases were partially offset by increased delivery revenue as a result of rate increases effective January 1, 2016 and November 1, 2016.

SGI CANADA revenue increased by \$43.6 million primarily due to increases in premiums written in Saskatchewan and Alberta. Saskatchewan premiums written increased due to price increases as a result of rate increases that included inflation in personal lines and agriculture. Customer growth in personal lines and personal auto contributed to the majority of the increase in Alberta.

## 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 nine months ended December 31, 2016 were \$3,527.3 million (December 2015 - \$3,677.1 million) or a \$149.8 million decrease from the same period in 2015 primarily related to decreases at SaskEnergy and SaskTel, partially offset by increases at SGI CANADA. An impairment of CIC's investment in ISC in the prior period also contributed to the decrease.

Operating and net finance expense decreased at SaskEnergy by \$137.4 million primarily due to favourable non-cash market value adjustments on natural gas derivative instruments and natural gas in storage. In addition, commodity purchases decreased due to lower gas volume to customers related to warm weather.

Operating and net finance expense decreased at SaskTel by \$13.1 million primarily due to reduced maintenance and support related to retired systems, reduced spending on contracted services, controlled cost management of procurement initiatives, reduced satellite expenses due to the satellite internet product being discontinued, decreased *maxTV*<sup>TM</sup> content costs due to live Pay Per View content being more popular in 2015 and decreased roaming costs due to a CRTC rate reduction.

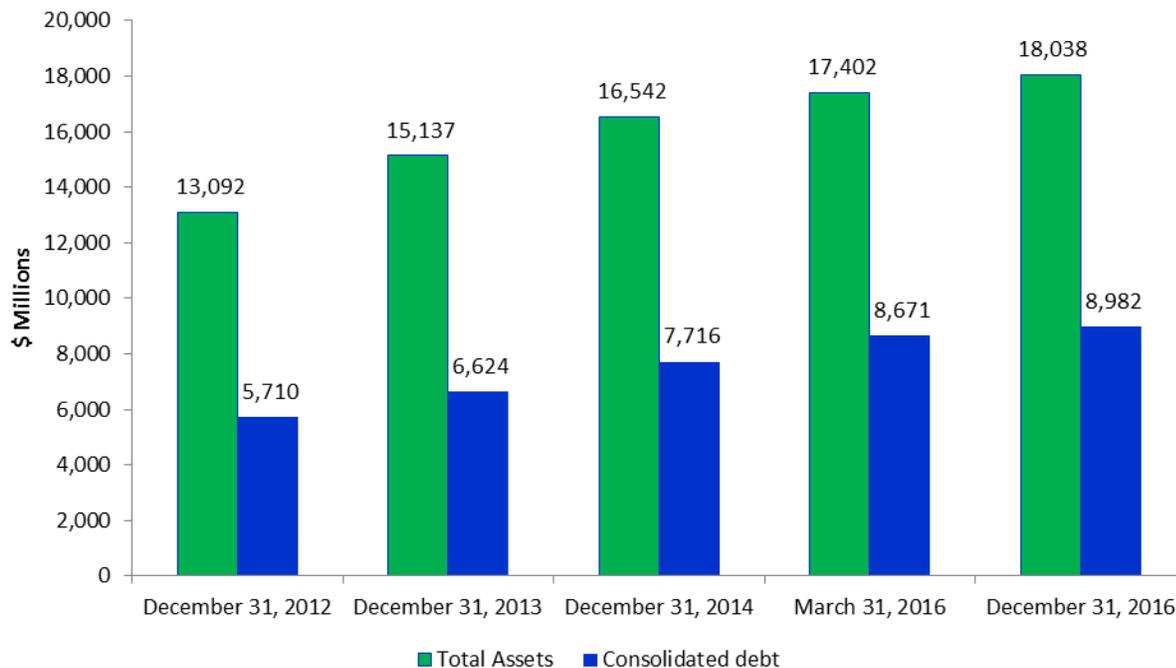
Operating and net finance expense increased at SGI CANADA by \$27.2 million primarily due increased storm claims in Alberta, increases in both the frequency and severity of auto claims in Ontario and higher commissions and premium taxes related to premium growth. This was partially offset by higher investment earnings due to increased equity prices and decreased interest rates on fixed income investments.

Operating and net finance expense also decreased due to a \$15.7 million impairment of CIC's 31.0 per cent ownership of ISC during the nine month period ended December 31, 2015 that did not occur in 2016.

## Management's Discussion and Analysis (continued)

### Capital Spending

#### Total Assets and Consolidated Debt



In the nine months ended December 31, 2016, property, plant and equipment, intangible asset and investment property purchases were \$974.4 million (December 2015 - \$1,213.1 million) or a \$238.7 million decrease from the same period in 2015. Major capital expenditures included:

- \$565.0 million at SaskPower related to connecting customers to the electric system, sustaining generation facilities and sustaining and expanding transmission and distribution infrastructure;
- \$223.0 million at SaskTel on growth initiatives such as Fibre to the Premises as well as data centre functionality and the Mosaic Stadium infrastructure project;
- \$153.6 million at SaskEnergy primarily related to customer connections, system expansions to meet residential and industrial customer growth and spending to ensure the safety and integrity of its extensive distribution and transmission systems; and
- \$19.1 million at SaskWater primarily related to system expansions to supply new customers within the potash industry and existing customers with growing demands, system upgrades and infrastructure management of existing assets.

Consolidated debt at December 31, 2016 was \$8,981.7 million (March 31, 2016 - \$8,671.3 million), an increase of \$310.4 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 a \$37.8 million decrease 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 December 31, 2016

Moody's Investor Service	Aaa
Standard & Poor's	AA+ <sup>1</sup>
Dominion Bond Rating Service	AA

<sup>1</sup> On June 24, 2016, Standard & Poor's downgraded Saskatchewan's credit rating from AAA to AA+. The downgrade is consistent with Standard & Poor's treatment of other resource-based economies.

Cash Flow Highlights (millions of dollars) (unaudited)	For the nine months ended	
	December 31 2016	December 31 2015
Net cash from operating activities	\$ 773.1	\$ 804.6
Net cash used in investing activities	(979.9)	(1,310.4)
Net cash used in financing activities		
Debt proceeds received	549.0	361.7
Debt repaid	(236.9)	(70.3)
(Decrease) increase in notes payable	(11.3)	228.5
Other financing activities	(54.1)	(288.8)
Change in cash and cash equivalents	\$ 39.9	\$ (274.7)

### Operating, Investing and Financing Activities

Net cash from operating activities for the nine months ended December 31, 2016 was \$773.1 million (December 2015 - \$804.6 million) or a decrease of \$31.5 million. Cash from operating activities declined primarily due to a \$23.2 million decrease from changes in non-cash working capital balances.

Net cash used in investing activities for the nine months ended December 31, 2016 was \$979.9 million (December 2015 - \$1,310.4 million). The \$330.5 million decrease in cash outflows is primarily related to a decrease in capital expenditures at SaskPower and SaskEnergy due to the completion of major capital projects. Also contributing to the decrease in cash outflows is decreased investment purchases at SGI due to active portfolio management and at CIC (separate) due to less cash available for investing.

Net cash from financing activities for the nine months ended December 31, 2016 was \$246.7 million (December 2015 - \$231.1 million). The increased cash inflow of \$15.6 million was due to an increase in debt proceeds from the GRF partially offset by increased debt repayments, increased sinking fund installments and decreased notes payable.

### 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 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 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, 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 and inventory.

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

	(Unaudited) December 31 2016	(Audited*) March 31 2016
	<b>Note</b>	
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 322,398	\$ 270,491
Short-term investments	226,541	246,359
Short-term investments under securities lending program	35,531	63,768
Accounts receivable	934,273	848,295
Restricted cash and cash equivalents	54,489	71,270
Derivative financial assets	23,917	11,374
Inventories	381,206	323,324
Prepaid expenses	163,969	178,736
Assets classified as held for sale	<u>5,637</u>	<u>-</u>
	<b>2,147,961</b>	<b>2,013,617</b>
Restricted cash and cash equivalents	4,684	4,724
Long-term investments	1,588,025	1,418,289
Long-term investments under securities lending program	86,487	94,289
Investments in equity accounted investees	120,421	120,464
Property, plant and equipment	13,498,027	13,160,220
Investment property	160,446	166,424
Intangible assets	419,249	412,123
Other assets	<u>12,893</u>	<u>12,230</u>
	<b>\$ 18,038,193</b>	<b>\$ 17,402,380</b>
<b>LIABILITIES AND PROVINCE'S EQUITY</b>		
Current		
Bank indebtedness	\$ 11,989	\$ -
Trade and other payables	735,184	718,426
Derivative financial liabilities	156,102	266,086
Notes payable	1,511,743	1,523,083
Deferred revenue	569,496	509,657
Provisions	221,364	195,058
Finance lease obligations	13,613	12,019
Long-term debt due within one year	<u>226,256</u>	<u>263,935</u>
	<b>3,445,747</b>	<b>3,488,264</b>
Provisions	639,760	625,578
Finance lease obligations	1,127,524	1,132,497
Long-term debt	7,243,716	6,884,256
Employee future benefits	394,672	464,085
Other liabilities	<u>222,675</u>	<u>218,445</u>
	<b>13,074,094</b>	<b>12,813,125</b>
Province of Saskatchewan's Equity		
Equity advances	908,889	908,889
Contributed surplus	85	85
Retained earnings	4,095,125	3,804,178
Accumulated other comprehensive loss	7 <u>(40,000)</u>	<u>(123,897)</u>
	<b>4,964,099</b>	<b>4,589,255</b>
	<b>\$ 18,038,193</b>	<b>\$ 17,402,380</b>
Commitments and contingencies	8	
(See accompanying notes)		

\*As presented in the audited March 31, 2016 consolidated statement of financial position.

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

	<b>October 1 to December 31 2016</b>	October 1 to December 31 2015	<b>April 1 to December 31 2016</b>	April 1 to December 31 2015
<b>INCOME FROM OPERATIONS</b>				
Revenue	\$ 1,384,420	\$ 1,369,418	\$ 3,808,727	\$ 3,778,504
Other income (expense)	<u>1,358</u>	<u>(290)</u>	<u>5,062</u>	<u>3,311</u>
	<u>1,385,778</u>	<u>1,369,128</u>	<u>3,813,789</u>	<u>3,781,815</u>
<b>EXPENSES</b>				
Operating	604,205	681,449	1,717,545	1,892,578
Salaries, wages and short-term employee benefits	216,285	187,939	666,669	619,209
Employee future benefits	14,919	36,894	36,041	57,171
Depreciation and amortization	208,730	202,840	617,279	590,727
Loss on disposal of property, plant and equipment	10,207	14,693	18,030	24,452
Impairment losses (reversals)	519	(2,005)	1,965	13,996
Research and development	53	92	94	213
Provision for environmental remediation liabilities	-	328	-	354
Saskatchewan taxes and fees	<u>41,966</u>	<u>37,338</u>	<u>128,553</u>	<u>118,666</u>
	<u>1,096,884</u>	<u>1,159,568</u>	<u>3,186,176</u>	<u>3,317,366</u>
<b>RESULTS FROM OPERATING ACTIVITIES</b>				
	<u>288,894</u>	<u>209,560</u>	<u>627,613</u>	<u>464,449</u>
Finance income	-	35,564	83,031	58,921
Finance expenses	<u>(160,688)</u>	<u>(133,489)</u>	<u>(424,109)</u>	<u>(418,650)</u>
<b>NET FINANCE EXPENSES</b>	<u>(160,688)</u>	<u>(97,925)</u>	<u>(341,078)</u>	<u>(359,729)</u>
<b>EARNINGS FROM OPERATIONS</b>	<b>128,206</b>	111,635	<b>286,535</b>	104,720
Share of net earnings from equity accounted investees	<u>521</u>	<u>1,563</u>	<u>4,412</u>	<u>4,991</u>
<b>EARNINGS FROM CONTINUING OPERATIONS</b>	<b>128,727</b>	113,198	<b>290,947</b>	109,711
Net losses on sale of equity accounted investees	<u>-</u>	<u>(84)</u>	<u>-</u>	<u>(84)</u>
<b>NET EARNINGS</b>	<u><b>128,727</b></u>	<u>113,114</u>	<u><b>290,947</b></u>	<u>109,627</u>
<b>OTHER COMPREHENSIVE INCOME</b>				
Defined benefit plan actuarial gains	117,454	45,483	79,216	79,373
Unrealized gain on cash flow hedges	27,842	4,413	14,866	35,152
Realized loss on cash flow hedges	(10,557)	(7,970)	(10,557)	(14,974)
Amounts amortized to net earnings and included in net finance expenses	<u>175</u>	<u>66</u>	<u>372</u>	<u>57</u>
<b>OTHER COMPREHENSIVE INCOME</b>	<u><b>134,914</b></u>	<u>41,992</u>	<u><b>83,897</b></u>	<u>99,608</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN</b>	<u><b>\$ 263,641</b></u>	<u>\$ 155,106</u>	<u><b>\$ 374,844</b></u>	<u>\$ 209,235</u>

(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 (Note 7)	Total Equity
Balance at April 1, 2015	\$ 908,889	\$ 85	\$ 3,927,818	\$ (125,802)	\$ 4,710,990
Total comprehensive income	-	-	109,627	99,608	209,235
Dividends to the GRF	-	-	(262,199)	-	(262,199)
Balance at December 31, 2015	<u>\$ 908,889</u>	<u>\$ 85</u>	<u>\$ 3,775,246</u>	<u>\$ (26,194)</u>	<u>\$ 4,658,026</u>
Balance at January 1, 2016	\$ 908,889	\$ 85	\$ 3,775,246	\$ (26,194)	\$ 4,658,026
Total comprehensive income (loss)	-	-	63,932	(97,703)	(33,771)
Dividends to the GRF	-	-	(35,000)	-	(35,000)
Balance at March 31, 2016	<u>\$ 908,889</u>	<u>\$ 85</u>	<u>\$ 3,804,178</u>	<u>\$ (123,897)</u>	<u>\$ 4,589,255</u>
<b>Balance at April 1, 2016</b>	<b>\$ 908,889</b>	<b>\$ 85</b>	<b>\$ 3,804,178</b>	<b>\$ (123,897)</b>	<b>\$ 4,589,255</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>290,947</b>	<b>83,897</b>	<b>374,844</b>
<b>Dividends to the GRF</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at December 31, 2016</b>	<b><u>\$ 908,889</u></b>	<b><u>\$ 85</u></b>	<b><u>\$ 4,095,125</u></b>	<b><u>\$ (40,000)</u></b>	<b><u>\$ 4,964,099</u></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 December 31 2016	April 1 to December 31 2015
<b>OPERATING ACTIVITIES</b>			
Net earnings		\$ 290,947	\$ 109,627
Adjustments to reconcile net earnings to cash from operating activities	9	<u>840,098</u>	<u>1,018,787</u>
		<b>1,131,045</b>	1,128,414
Net change in non-cash working capital balances related to operations		<b>24,160</b>	47,408
Interest paid		<u>(382,142)</u>	<u>(371,173)</u>
Net cash from operating activities		<u><b>773,063</b></u>	<u>804,649</u>
<b>INVESTING ACTIVITIES</b>			
Interest received		<b>29,644</b>	31,943
Dividends received		<b>2,055</b>	4,601
Purchase of investments		<b>(731,874)</b>	(955,240)
Proceeds from sale and collection of investments		<b>673,876</b>	812,584
Purchase of property, plant and equipment		<b>(907,084)</b>	(1,125,268)
(Costs) proceeds related to sale of property, plant and equipment		<b>(2,122)</b>	720
Purchase of intangible assets		<b>(60,935)</b>	(85,622)
Purchase of investment property		<b>(6,425)</b>	(2,186)
Decrease in restricted cash and cash equivalents		<b>16,821</b>	7,830
Decrease in other assets		<u><b>6,181</b></u>	<u>207</u>
Net cash used in investing activities		<u><b>(979,863)</b></u>	<u>(1,310,431)</u>
<b>FINANCING ACTIVITIES</b>			
(Decrease) increase in notes payable		<b>(11,340)</b>	228,481
(Decrease) increase in other liabilities		<b>(13,554)</b>	8,511
Debt proceeds from the GRF		<b>548,607</b>	360,285
Debt repayments to the GRF		<b>(183,662)</b>	(52,407)
Debt proceeds from other lenders		<b>439</b>	1,425
Debt repayments to other lenders		<b>(53,244)</b>	(17,887)
Sinking fund instalments		<b>(49,966)</b>	(44,465)
Sinking fund redemptions		<b>9,438</b>	9,313
Dividends paid		<u>-</u>	<u>(262,199)</u>
Net cash from financing activities		<u><b>246,718</b></u>	<u>231,057</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS DURING PERIOD</b>		<b>39,918</b>	(274,725)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>		<u><b>270,491</b></u>	<u>398,844</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>		<u><b>\$ 310,409</b></u>	<u>\$ 124,119</u>
Cash and cash equivalents consists of:			
Cash and cash equivalents from continuing operations		\$ <b>322,398</b>	\$ 140,300
Bank indebtedness from continuing operations		<u><b>(11,989)</b></u>	<u>(16,181)</u>
		<u><b>\$ 310,409</b></u>	<u>\$ 124,119</u>

(See accompanying notes)

**Crown Investments Corporation of Saskatchewan**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**December 31, 2016**  
**(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, 2016 audited consolidated financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on March 2, 2017.

**b) Change of year end**

The Corporation was directed by the provincial government to change its fiscal year end to March 31 to coincide with that of the Province of Saskatchewan. Information included in the condensed consolidated interim financial statements reflects the third fiscal quarter consisting of the nine months ended December 31, 2016 as compared to the nine months ended December 31, 2015.

**c) 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 April 1, 2016, have been applied in preparing these interim condensed consolidated financial statements:

- IAS 1, *Presentation of Financial Statements*
- IAS 16, *Property Plant and Equipment* and IAS 38, *Intangible Assets*
- IFRS 11, *Joint Arrangements*
- *Annual Improvements Cycle 2012-2014*

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 March 31, 2016 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.

**Crown Investments Corporation of Saskatchewan  
Notes to Condensed Consolidated Interim Financial Statements  
December 31, 2016  
(thousands of dollars)  
(unaudited)**

**4. Significant accounting policies (continued)**

**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., 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)	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, 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.

**Crown Investments Corporation of Saskatchewan**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**December 31, 2016**  
**(thousands of dollars)**  
**(unaudited)**

**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 December 31, 2016, and have not been applied in preparing these condensed consolidated interim financial statements.

**IAS 7, Statement of Cash Flows**

In January 2016, the IASB issued amendments to IAS 7, *Statement of Cash Flows* to require a reconciliation of opening and closing liabilities that form part of an entity's financing activities, including both changes arising from cash flows and non-cash changes. The amendments are effective for reporting periods beginning on or after January 1, 2017 and will be applied prospectively. The Corporation is currently evaluating the impact of these amendments 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 based 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 2017 with implementation not expected before 2020. The Corporation is evaluating the impact this amendment will have on the consolidated financial statements.

In July 2015, the IASB amended the existing IFRS 4 to mitigate accounting mismatches from the adoption of IFRS 9, *Financial Instruments*, before the new insurance contracts standard is issued. Insurers who meet certain criteria will be permitted to exclude from net income and recognize in other comprehensive income the difference between the amounts that would be recognized in net income in accordance with IFRS 9 and the amounts recognized in net income in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

**Crown Investments Corporation of Saskatchewan  
Notes to Condensed Consolidated Interim Financial Statements  
December 31, 2016  
(thousands of dollars)  
(unaudited)**

**4. Significant accounting policies (continued)**

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

**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 has also 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. IFRS 9 may affect the classification, measurement and valuation of certain assets and liabilities. The Corporation is in the process of assessing the impact of the adoption of the standard on the consolidated financial statements. The Corporation plans to early adopt IFRS 9 effective April 1, 2017.

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

In May 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 on contract costs and on 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 and contract costs for certain operations and segments. The Corporation is in the process of assessing the impact of the adoption of the standard on the consolidated 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 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. The Corporation is currently assessing the impact of the standard on 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.

**Crown Investments Corporation of Saskatchewan**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**December 31, 2016**  
**(thousands of dollars)**  
**(unaudited)**

**6. 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 2016-17 is 62.7 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:

	<b>December 31 2016</b>	March 31 2016
Total debt (a)	<b>\$ 8,981,715</b>	\$ 8,671,274
Less: Sinking funds	<u><b>(825,725)</b></u>	<u>(780,762)</u>
Net debt	<b>8,155,990</b>	7,890,512
Equity (b)	<u><b>5,004,099</b></u>	<u>4,713,152</u>
Capitalization	<u><b>\$ 13,160,089</b></u>	<u>\$ 12,603,664</u>
Debt ratio	<b>62.0%</b>	62.6%

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.

**Crown Investments Corporation of Saskatchewan**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**December 31, 2016**  
**(thousands of dollars)**  
**(unaudited)**

**7. Accumulated other comprehensive loss**

	<b>December 31 2016</b>	March 31 2016
Items that may be reclassified to net earnings:		
Unrealized gains (losses) on cash flow hedges	\$ <b>11,601</b>	\$ (3,265)
Realized losses on cash flow hedges	<u><b>(23,327)</b></u>	<u>(13,142)</u>
	<b>(11,726)</b>	(16,407)
Items that will not be reclassified to net earnings:		
Defined benefit plan actuarial losses	<u><b>(28,274)</b></u>	<u>(107,490)</u>
	<u><b>\$ (40,000)</b></u>	<u>\$ (123,897)</u>

**8. 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.

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

	<b>April 1 to December 31 2016</b>	April 1 to December 31 2015
<b>Adjustments to reconcile net earnings to cash provided from operating activities</b>		
Depreciation and amortization	\$ <b>617,279</b>	\$ 590,727
Share of earnings from investments in equity accounted investees	<b>(4,412)</b>	(4,991)
Defined benefit pension plan expense	<b>962</b>	783
Recovery of decommissioning and environmental remediation liabilities	-	354
Unrealized (gains) losses on derivative financial instruments	<b>(107,809)</b>	28,525
Inventory (recoveries) write-downs	<b>(30,014)</b>	5,969
Loss on disposal of property, plant and equipment	<b>18,030</b>	24,452
Impairment losses	<b>1,965</b>	13,996
Net finance expenses	<b>341,078</b>	359,729
Other non-cash items	<u><b>3,019</b></u>	<u>(757)</u>
	<u><b>\$ 840,098</b></u>	<u>\$ 1,018,787</u>

**Crown Investments Corporation of Saskatchewan**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**December 31, 2016**  
**(thousands of dollars)**  
**(unaudited)**

**10. 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 at fair value are categorized within this hierarchy as follows:

	<b>December 31, 2016</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Cash and cash equivalents	\$ 322,398	\$ -	\$ -	\$ 322,398
Restricted cash and cash equivalents	59,173	-	-	59,173
Bank indebtedness	11,989	-	-	11,989
Notes payable	1,511,743	-	-	1,511,743
Investments carried at fair value through profit or loss	370,647	1,256,849	160,320	1,787,816
Investments - amortized cost	-	53,917	-	53,917
Loans and receivables - Immigrant Investor Program	-	90,651	-	90,651
Finance lease obligations	-	1,268,140	-	1,268,140
Long-term debt	-	8,518,392	-	8,518,392
Physical natural gas contracts - net	-	(23,397)	-	(23,397)
Natural gas price swaps - net	-	(119,608)	-	(119,608)
Physical electricity forwards - net	-	(779)	-	(779)
Electricity contracts for differences - net	-	(10)	-	(10)
Bond forwards - net	-	11,609	-	11,609

	March 31, 2016			<b>Total</b>
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 270,491	\$ -	\$ -	\$ 270,491
Restricted cash and cash equivalents	75,994	-	-	75,994
Notes payable	1,523,083	-	-	1,523,083
Investments carried at fair value through profit or loss	407,564	1,102,695	142,375	1,652,634
Investments - amortized cost	-	53,858	-	53,858
Loans and receivables - Immigrant Investor Program	-	112,838	-	112,838
Finance lease obligations	-	1,287,176	-	1,287,176
Long-term debt	-	8,476,830	-	8,476,830
Physical natural gas contracts - net	-	(76,208)	-	(76,208)
Natural gas price swaps - net	-	(174,725)	-	(174,725)
Physical electricity forwards - net	-	(397)	-	(397)
Electricity contracts for differences - net	-	(137)	-	(137)
Bond forwards - net	-	(3,245)	-	(3,245)

**11. Comparative figures**

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

# Separate Financial Statements

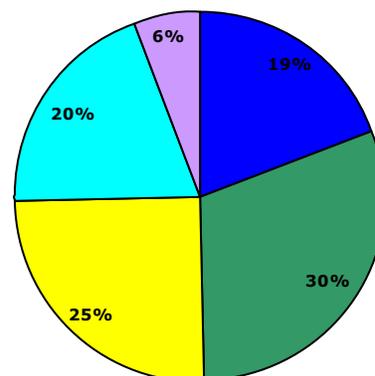
## Management's Discussion and Analysis

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 December 31, 2016 third quarter results should be read in conjunction with the March 31, 2016 audited separate financial statements.

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

**Dividend Revenue**



■ SaskEnergy ■ SaskTel ■ SGI ■ SGC ■ Other

## Financial Results

<b>CIC Separate Third Quarter Earnings</b> (millions of dollars) (unaudited)	<b>For the nine months ended</b>	
	<b>December 31 2016</b>	<b>December 31 2015</b>
Dividend revenue	\$ 74.8	\$ 97.1
Add: Finance and other revenue	1.0	2.3
Less: Operating, salaries and other expenses	(7.6)	(8.4)
Grants to subsidiary corporations	(9.3)	(10.7)
<b>Total Separate Earnings</b>	<b>\$ 58.9</b>	<b>\$ 80.3</b>

## Net Earnings

Net earnings for the nine months ended December 31, 2016 were \$58.9 million (December 2015 - \$80.3 million), a decrease of \$21.4 million from the same period in 2015. The decrease in earnings is primarily due to lower dividend revenue of \$22.3 million and a decrease in finance and other revenue of \$1.3 million. The unfavourable change in revenue was offset by lower expenses consisting of lower grants to subsidiary corporations of \$1.4 million and a decrease in operating, salaries and other expenses of \$0.8 million. A more detailed discussion of net earnings is included on the pages following.

## Management's Discussion and Analysis (continued)

### Dividend Revenue

Dividend Revenue (millions of dollars) (unaudited)	For the nine months ended		
	December 31 2016	December 31 2015	2016-17 Budget
<b>SaskTel</b>	\$ 22.5	\$ 22.5	\$ 30.0
<b>SGI CANADA</b>	18.8	18.8	25.0
<b>SGC</b>	14.7	16.3	29.9
<b>SaskEnergy</b>	14.4	34.0	27.2
<b>SaskWater</b>	1.2	1.5	1.5
<b>CIC AMI</b>	-	-	15.0
<b>SOCO</b>	-	0.8	0.1
<b>ISC</b>	3.2	3.2	4.3
<b>Total Dividend Revenue</b>	<u>\$ 74.8</u>	<u>\$ 97.1</u>	<u>\$ 133.0</u>

Dividend revenue for the nine months ended December 31, 2016 was \$74.8 million (December 2015 - \$97.1 million). The \$22.3 million decrease is primarily due to lower dividends from SaskEnergy (\$19.6 million), SGC (\$1.6 million), SOCO (\$0.8 million) and SaskWater (\$0.3 million).

For the first nine months of each fiscal period, dividends from subsidiary Crown corporations are typically based on 75.0 per cent of forecast dividends for the period. The forecast dividend is calculated in accordance with CIC's subsidiary dividend policy and is typically a percentage payout of earnings from operations, but can be an absolute value. The percentage is 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 period if there is a significant change in circumstances.

For the current fiscal period, the budgeted dividend at SaskTel is \$30.0 million, SGI CANADA is \$25.0 million, CIC AMI is \$15.0 million, SaskWater is based on 25.0 per cent of earnings from operations, SGC is based on 80.0 per cent of earnings from operations, and SaskEnergy is based on 35.0 per cent of earnings from operations.

### Operating, Salaries and Other Expenses

Operating, salaries and other expenses for the nine months ended December 31, 2016 were \$7.6 million (December 2015 - \$8.4 million), a \$0.8 million decrease from the same period in 2015. This decrease is primarily due to cost restraints.

### Grants to Subsidiary Corporations

For the nine months ended December 31, 2016, CIC provided \$9.3 million (December 2015 - \$10.7 million) in grants to subsidiary corporations. STC received \$9.1 million (December 2015 - \$10.5 million) in grants to support ongoing operations. Gradworks Inc. received \$0.2 million (December 2015 - \$0.2 million) to fund its Internship Development Program.

CIC anticipates public policy and grant funding expenditures for the fiscal year to be as follows: \$14.2 million to support ongoing operations and to meet capital requirements at STC and \$0.3 million of operating grants to Gradworks. On November 28, 2016, it was announced that Gradworks will be wound down. Current interns in Gradworks will complete their terms of service according to program parameters. Gradworks operations are expected to conclude in 2017-18 and will not receive an operating grant from CIC thereafter.

## Management's Discussion and Analysis (continued)

### Liquidity and Capital Resources

Cash Flow Highlights (millions of dollars) (unaudited)	For the nine months ended	
	December 31 2016	December 31 2015
Net cash from operating activities	\$ 80.3	\$ 72.4
Net cash provided by (used in) investing activities	3.7	(77.4)
Net cash used in financing activities	-	(262.2)
Net change in cash	<u>\$ 84.0</u>	<u>\$ (267.2)</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 nine months ended December 31, 2016 was \$80.3 million (December 2015 - \$72.4 million). This \$7.9 million increase is due mainly to a \$28.1 million increase from net changes in non-cash working capital balances related to operations as a result of a year over year decrease in dividends receivable from subsidiary Crown corporations. This increase was partially offset by an \$21.4 million decrease in net earnings resulting mainly from lower dividend revenue in the current period as compared to the same period of 2015.

Net cash provided by investing activities for the nine months ended December 31, 2016 was \$3.7 million (December 2015 - net cash used \$77.4 million), an increase of \$81.1 million. The increase in cash flows is mainly due to reclassifications of \$75.6 million between cash and cash equivalents and short-term investments. Short-term investments that have a maturity date of 90 days or less are classified as cash and cash equivalents.

Net cash used in financing activities for the nine months ended December 31, 2016 was Nil (December 2015 - \$262.2 million). CIC paid a dividend to the GRF of \$262.2 million on December 30, 2015.

### Debt Management

CIC, the legal entity, has no debt. Currently, CIC does not expect to borrow in 2016-17.

### 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 the Crown 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 with private sector partners to determine the appropriateness of retention or sale.

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

	<b>Note</b>	<b>(Unaudited) December 31 2016</b>	<b>(Audited*) March 31 2016</b>
<b>ASSETS</b>			
Current			
Cash and cash equivalents		\$ 216,915	\$ 132,880
Short-term investments		7,299	-
Interest and accounts receivable		244	740
Dividends receivable		<u>33,363</u>	<u>55,654</u>
		<b>257,821</b>	189,274
Equity advances to Crown corporations	5	<b>1,176,918</b>	1,186,918
Investments in share capital corporations		<b>6,306</b>	6,306
Equipment		<u>139</u>	<u>148</u>
		<b><u>\$ 1,441,184</u></b>	<b><u>\$ 1,382,646</u></b>
<b>LIABILITIES AND PROVINCE'S EQUITY</b>			
Current			
Interest and accounts payable		<u>\$ 2,044</u>	<u>\$ 2,376</u>
Province of Saskatchewan's Equity			
Equity advances		<b>908,889</b>	908,889
Retained earnings		<u>530,251</u>	<u>471,381</u>
		<b><u>1,439,140</u></b>	<u>1,380,270</u>
		<b><u>\$ 1,441,184</u></b>	<b><u>\$ 1,382,646</u></b>

(See accompanying notes)

\*As presented in the audited March 31, 2016 separate statement of financial position.

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

	<b>Note</b>	<b>October 1 to December 31 2016</b>	October 1 to December 31 2015	<b>April 1 to December 31 2016</b>	April 1 to December 31 2015
<b>INCOME FROM OPERATIONS</b>					
Dividend revenue	6	\$ <b>34,448</b>	\$ 36,356	\$ <b>74,841</b>	\$ 97,079
Other income		<u>5</u>	<u>-</u>	<u>9</u>	<u>13</u>
		<b>34,453</b>	36,356	<b>74,850</b>	97,092
<b>EXPENSES</b>					
Operating		<b>1,359</b>	1,325	<b>3,330</b>	3,550
Salaries and short-term employee benefits		<b>1,265</b>	1,941	<b>3,790</b>	4,505
Employee future benefits		<b>212</b>	145	<b>492</b>	292
Depreciation and amortization		<u>8</u>	<u>13</u>	<u>23</u>	<u>56</u>
		<b>2,844</b>	3,424	<b>7,635</b>	8,403
<b>EARNINGS FROM OPERATIONS</b>					
		<u><b>31,609</b></u>	<u>32,932</u>	<u><b>67,215</b></u>	<u>88,689</u>
Finance income		<b>377</b>	869	<b>997</b>	2,336
Finance expenses		<u>(2)</u>	<u>(2)</u>	<u>(6)</u>	<u>(6)</u>
<b>NET FINANCE INCOME</b>					
		<u><b>375</b></u>	<u>867</u>	<u><b>991</b></u>	<u>2,330</u>
<b>EARNINGS BEFORE PUBLIC POLICY INITIATIVES</b>					
		<b>31,984</b>	33,799	<b>68,206</b>	91,019
Grants to subsidiary corporations	7	<u>(3,089)</u>	<u>(2,377)</u>	<u>(9,336)</u>	<u>(10,722)</u>
<b>NET EARNINGS</b>					
		<b>28,895</b>	31,422	<b>58,870</b>	80,297
<b>OTHER COMPREHENSIVE INCOME</b>					
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN</b>					
		<u><b>\$ 28,895</b></u>	<u>\$ 31,422</u>	<u><b>\$ 58,870</b></u>	<u>\$ 80,297</u>

(See accompanying notes)

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

	<u>Attributable to the Province of Saskatchewan</u>		
	Equity Advances	Retained Earnings	Total Equity
Balance at April 1, 2015	\$ 908,889	\$ 641,658	\$ 1,550,547
Total comprehensive income	-	80,297	80,297
Dividends to the GRF	-	(262,199)	(262,199)
	<u>908,889</u>	<u>459,756</u>	<u>1,368,645</u>
Balance at December 31, 2015	<u>\$ 908,889</u>	<u>\$ 459,756</u>	<u>\$ 1,368,645</u>
Balance at January 1, 2016	\$ 908,889	\$ 459,756	\$ 1,368,645
Total comprehensive income	-	46,625	46,625
Dividends to the GRF	-	(35,000)	(35,000)
	<u>908,889</u>	<u>471,381</u>	<u>1,380,270</u>
Balance at March 31, 2016	<u>\$ 908,889</u>	<u>\$ 471,381</u>	<u>\$ 1,380,270</u>
<b>Balance at April 1, 2016</b>	<b>\$ 908,889</b>	<b>\$ 471,381</b>	<b>\$ 1,380,270</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>58,870</b>	<b>58,870</b>
<b>Dividends to the GRF</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<u>908,889</u>	<u>530,251</u>	<u>1,439,140</u>
<b>Balance at December 31, 2016</b>	<b><u>\$ 908,889</u></b>	<b><u>\$ 530,251</u></b>	<b><u>\$ 1,439,140</u></b>

(See accompanying notes)

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

	Note	April 1 to December 31 2016	April 1 to December 31 2015
<b>OPERATING ACTIVITIES</b>			
Net earnings		\$ 58,870	\$ 80,297
Items not affecting cash from operations			
Depreciation and amortization		23	56
Net finance income		<u>(991)</u>	<u>(2,330)</u>
		57,902	78,023
Net change in non-cash working capital balances related to operations	8	22,455	(5,602)
Interest paid		<u>(6)</u>	<u>(6)</u>
Net cash from operating activities		<u>80,351</u>	<u>72,415</u>
<b>INVESTING ACTIVITIES</b>			
Interest received		997	2,336
Increase in short-term investments		(7,299)	(82,903)
Repayment of due from First Nations and Metis Fund Inc.		-	1,140
Proceeds from retraction of equity advances		10,000	2,000
Purchase of equipment		<u>(14)</u>	<u>(1)</u>
Net cash provided by (used in) investing activities		<u>3,684</u>	<u>(77,428)</u>
<b>FINANCING ACTIVITIES</b>			
Dividend paid to General Revenue Fund		<u>-</u>	<u>(262,199)</u>
Net cash used in financing activities		<u>-</u>	<u>(262,199)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS DURING PERIOD</b>		<b>84,035</b>	<b>(267,212)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>		<u>132,880</u>	<u>317,993</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>		<u>\$ 216,915</u>	<u>\$ 50,781</u>

(See accompanying notes)

**Crown Investments Corporation of Saskatchewan  
Notes to Condensed Separate Financial Statements  
December 31, 2016  
(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 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 March 31, 2016 audited separate financial statements.

The condensed separate interim financial statements were authorized for issue by the CIC Board of Directors on March 2, 2017.

**b) Change of year end**

The Corporation was directed by the provincial government to change its fiscal year end to March 31 to coincide with that of the Province of Saskatchewan. Information included in the condensed separate interim financial statements reflects the third fiscal quarter consisting of the nine months ended December 31, 2016 as compared to the nine months ended December 31, 2015.

**c) 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:

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

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. All subsidiary Corporations are domiciled in Canada.

**Crown Investments Corporation of Saskatchewan  
Notes to Condensed Separate Financial Statements  
December 31, 2016  
(thousands of dollars)  
(unaudited)**

**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, 2016 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 are consistent with those applied by CIC's subsidiary corporations.

CIC prepares condensed consolidated interim financial statements that have been authorized for issue by the CIC Board of Directors on March 2, 2017. 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)

	<b>December 31 2016</b>	March 31 2016
Saskatchewan Power Corporation	\$ 660,000	\$ 660,000
Saskatchewan Telecommunications Holding Corporation	250,000	250,000
Saskatchewan Opportunities Corporation	106,687	116,687
Saskatchewan Government Insurance	80,000	80,000
SaskEnergy Incorporated	71,531	71,531
Saskatchewan Water Corporation	<u>8,700</u>	<u>8,700</u>
	<b><u>\$ 1,176,918</u></b>	<b><u>\$ 1,186,918</u></b>

**6. Dividend revenue**

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

	<b>April 1 to December 31 2016</b>	April 1 to December 31 2015
Saskatchewan Telecommunications Holding Corporation	\$ 22,500	\$ 22,500
Saskatchewan Government Insurance	18,750	18,750
Saskatchewan Gaming Corporation	14,697	16,295
SaskEnergy Incorporated	14,433	34,027
Information Services Corporation	3,255	3,255
Saskatchewan Water Corporation	1,206	1,442
Saskatchewan Opportunities Corporation	<u>-</u>	<u>810</u>
	<b><u>\$ 74,841</u></b>	<b><u>\$ 97,079</u></b>

**Crown Investments Corporation of Saskatchewan**  
**Notes to Condensed Separate Financial Statements**  
**December 31, 2016**  
**(thousands of dollars)**  
**(unaudited)**

**7. Grants to subsidiary corporations**  
(thousands of dollars)

	<b>April 1 to December 31 2016</b>	April 1 to December 31 2015
Saskatchewan Transportation Company	\$ <b>9,100</b>	\$ 10,500
Gradworks Inc.	<u>236</u>	<u>222</u>
	<u><b>\$ 9,336</b></u>	<u>\$ 10,722</u>

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

	<b>April 1 to December 31 2016</b>	April 1 to December 31 2015
Decrease (increase) in interest and accounts receivable	\$ <b>496</b>	\$ (238)
Decrease (increase) in dividends receivable	<b>22,291</b>	(5,701)
(Decrease) increase in interest and accounts payable	<u><b>(332)</b></u>	<u>337</u>
	<u><b>\$ 22,455</b></u>	<u>\$ (5,602)</u>