

dream big

› **LETTER OF TRANSMITTAL**

Regina, Saskatchewan
March 31, 2001

To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the Province of Saskatchewan

Dear Lieutenant Governor:

I have the honour to submit herewith the annual report of SaskTel for the year ending December 31, 2000, including the financial statements, duly certified by auditors for the corporation, and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Telecommunications Holding Corporation Act.

Respectfully submitted,



Honourable Maynard Sonntag
Minister Responsible for Crown Investments Corporation (CIC)

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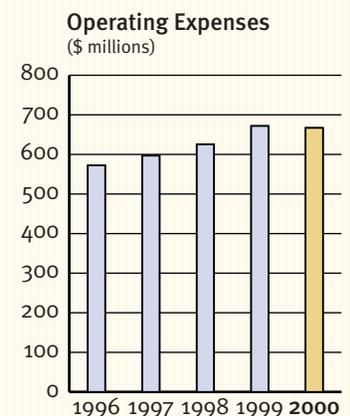
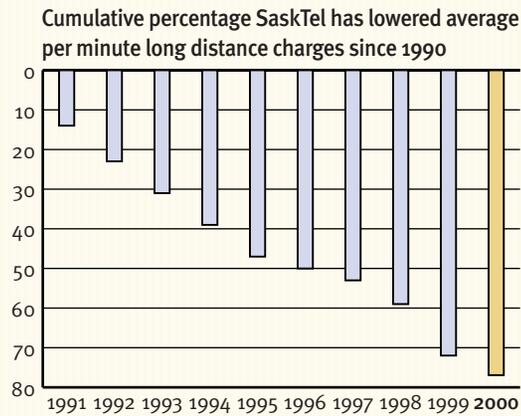
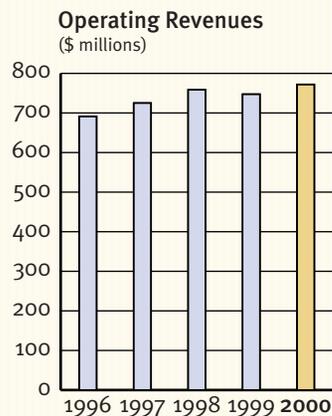
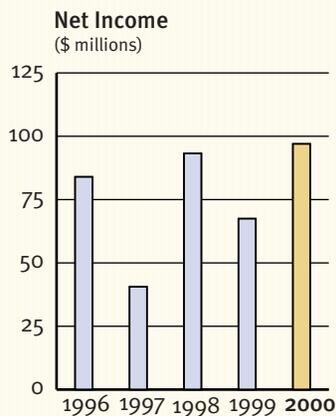
- **NET INCOME** was \$97.0 million in 2000, while cash from operating activities was \$208.1 million.
- During the year, **SASKTEL SOLD** 4,109,000 common shares in Austar United Communications Limited (Austar) for \$32.5 million and realized a gain of \$13.7 million. SaskTel held 9,550,574 shares of Austar at December 31, 2000.
- **A NON-CASH GAIN** of \$7.7 million was recorded on the sale of SaskTel's 29.9% equity position in Regional Cable TV (Western) Inc. Consideration received for the Regional Cable TV

(Western) Inc. shares was 1,223,491 common shares of Regional Cablesystems Inc., which were valued at \$14.7 million at the time of the transaction.

- **LOCAL SERVICE REVENUES** increased in 2000 due to a local rate increase implemented on March 17, 2000, which established a base fee of \$22 per month for residential customers.
- **LONG DISTANCE** revenues continued to decline, despite an increase in long distance minutes, as customers continue to take advantage of flat rate long distance plans.

- A reduction in restructuring and other charges, as well as the success of SaskTel's Operational Efficiency Program, contributed to a \$20.9 million reduction in **OPERATING EXPENSES**. These decreases were partially offset by increases in growth initiative spending and depreciation expense.
- During the year, **SASKTEL ACQUIRED** Telerent of Canada Inc. and Metropol™ Emergency Response Centre, and made investments in Regional Cablesystems Inc., Retx.com, Inc., Craig Wireless International Inc., and Soft Tracks Enterprises Ltd.

› Financial Highlights



NOTE TO READERS › Please visit our website to see the annual report online at www.sasktel.com/2000_annualreport

› Letter from the President



It's a sign of the times. The notice that heads this page is one of many signposts in this year's report, pointing the direction SaskTel is headed. The Internet is re-defining the way people present, distribute, and access information – annual reports included.

Connecting our entire customer base to the best of new media, and today that means the Internet, is a priority for SaskTel. Internet use in Saskatchewan jumped in 1999 to 40% of households. By now, it may well be approaching 50%. Our goal is maximum engagement

with our customers over the complete array of electronic media – video, voice, and data delivered via a full suite of wireless and wireline alternatives. We like to think of it as anyone, anywhere, anytime, on any device.

This year's annual report is again full of examples of SaskTel's evolution as a burgeoning e-business company. And again, we are talking a lot about the importance of diversification as a strategy for financial success in the long term. Anyone who cares to look back through the last five years of our annual reports will see that these messages remain much the same year to year. We make no apologies for being predictable. In fact, it is this consistency and reliability that keep SaskTel on course. In an industry marked by storms of change and globalization, we do our best to ride out whatever weather comes by holding to our long-term business plan, adapting where necessary, but always returning to our core strategies.

These strategies are simple and clear: growth through diversification, cost-containment with our customers and employees in mind, and an overriding mandate

to bring the best communications services to Saskatchewan people. In our fully competitive environment, we have implemented a growth strategy that has been extremely successful. It is vital to continue this direction to ensure SaskTel maintains its technical leadership, and can continue to provide leading-edge services to the people of Saskatchewan through a highly trained and qualified workforce.

Diversifying our business, limiting costs, and serving our customers well – these things would not come about were it not for the hard work, creativity, and intelligence of our staff and board members. And so I would like to take this opportunity to recognize and thank our employees, management, and Board of Directors for making 2000 another successful year at SaskTel.

A handwritten signature in blue ink, which appears to read "Donald A. King". The signature is fluid and cursive, with a large initial "D" and "K".



SASKTEL in 2000 had no shortage of moments to remember. For us, dreaming big has taken us into business opportunities and alliances that are enhancing our wireless and wireline services, and enabling SaskTel to emerge as a first-choice e-business company.

> Year in Review

2000 was the year we:

INVESTED over \$80 million into SaskTel's network infrastructure in Saskatchewan, part of more than \$1 billion we have spent over the past decade improving and upgrading our core provincial network.

ESTABLISHED a new e-business strategy to continue the corporation's emergence as a provider of innovative e-commerce solutions to both residential and business customers, within Saskatchewan's borders and beyond.

EXCHANGED our 29.9 per cent interest in Regional Cable TV (Western) Inc. for a 7.6 per cent equity position in Regional Cablesystems Inc., which resulted in a non-cash gain of \$7.7 million.

ACQUIRED 49 per cent of Retx.com, Inc. an Atlanta, Georgia-based provider of business-to-business (B2B) electronic commerce services, with whom SaskTel has formed a partnership to provide an Internet e-business solution for the retail energy sector.

EXPANDED High Speed Internet access to nine new

Saskatchewan communities, thereby increasing our coverage to reach 54 per cent of the province's population.

RANKED among the 35 best companies to work for in Canada, according to *The Globe & Mail's Report on Business* magazine, the only Saskatchewan company to be so ranked.

EXPANDED our digital PCS (Personal Communication Services) cellular network bringing leading-edge wireless and Internet-based services to urban and rural Saskatchewan residents along the Saskatoon to North Battleford highway corridor, and along the Regina to Yorkton highway corridor.

ACQUIRED, via SecurTek, our wholly-owned subsidiary, Metropol™ Emergency Response Centre (MERC), a Manitoba-based security and monitoring services company that serves customers throughout Western Canada.

APPLIED for a license to deliver Digital Interactive Video (DIV) to Saskatchewan customers, a service that will allow people to access both Internet and cable television services from their television sets.

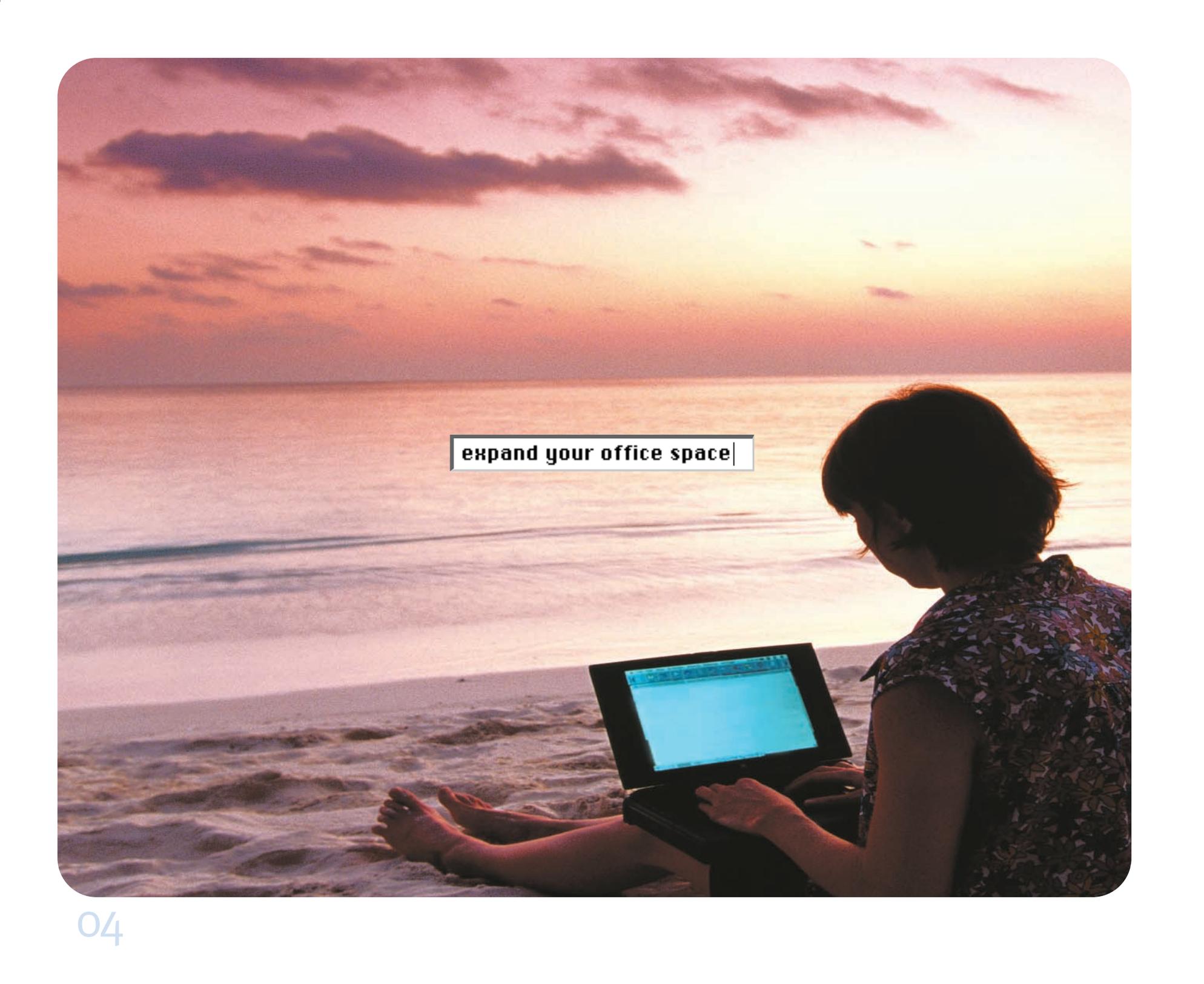
ACQUIRED 19.6 per cent of Soft Tracks Enterprises Ltd., a Vancouver company that provides a wireless electronic commerce system for Canadian telecommunications companies, banks and businesses.

INTRODUCED LoadTrak, a new wireless data service for the trucking industry in Saskatchewan and North America that uses the Internet to track the location of vehicles anywhere in North America.

ACQUIRED 29.9 per cent of Craig Wireless International Inc., a company established by Craig Broadcast Systems to hold the assets of SkyCable, its wireless broadcast television and high speed Internet service provider in Manitoba, British Columbia, and Palm Springs, California.

ACQUIRED Telerent of Canada Inc.'s TeleHealth Services Division, a significant player in the Canadian hospital market, providing television rental services to over 100 hospitals throughout Canada.¹

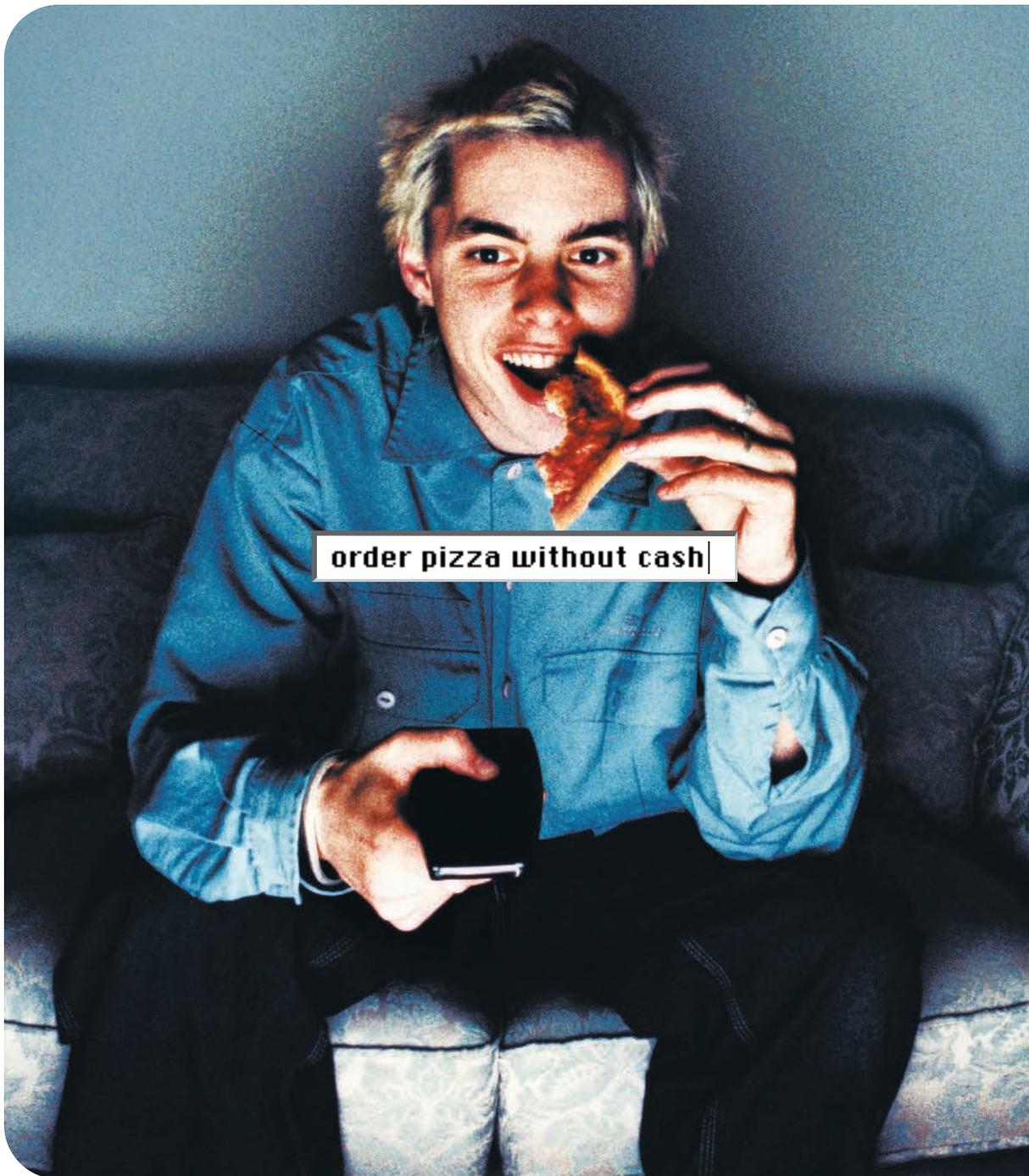
¹ This acquisition was made by SaskTel's majority-owned subsidiary, Hospitality Network Canada Inc.

A woman with short dark hair, wearing a patterned sleeveless top, is sitting on a sandy beach. She is looking down at a laptop computer resting on her lap. The laptop screen is illuminated with a bright blue light. The background shows a vast ocean under a sunset sky with soft orange and pink hues. The text "expand your office space" is centered in a white box with a black border.

expand your office space



host an online garage sale



order pizza without cash

Soft Tracks

www.softtracks.com

SaskTel has invested \$5.2 million in Soft Tracks Enterprises Ltd. — a Vancouver company providing a wireless electronic commerce system for Canadian telecommunications companies, banks and businesses.

Soft Tracks technology is used to deploy Lightning™ Mobile Commerce — providing secure credit and debit card transactions through portable hand-held sets, and used for business to business sales and service, food delivery, taxi services and other similar industries.

SaskTel's investment in Soft Tracks is part of our overall strategy to diversify into new areas of business.



IN 1995, SASKTEL was at the forefront of Internet providers in Canada offering universal dial Internet access to both urban and rural residents throughout Saskatchewan. The following year, SaskTel became the first telephone company in North America to offer high speed Internet service using DSL (Digital Subscriber Line) technology.

Developing and launching an e-business strategy was one of SaskTel's key priorities for the year 2000. The strategy included developing the means to enable our customers to use Internet and e-business solutions, and building SaskTel into an e-business company by making more of our operations and customer relationships net-enabled. Not only did we achieve this objective, we exceeded it. We witnessed the success of a number of projects and made progress toward the success of many more.

> Dream big. We do. <

SaskTel's Data Centre

www.quantumlynx.com

SaskTel is continuing to grow and enhance its data and Internet business with the advanced Data Centre in Regina, providing customers with a wide range of reliable and secure data storage and hosting services.

The Data Centre represents an evolution in SaskTel's core business. By using this service, customers are able to focus on their business, and leave SaskTel to host their servers and applications in a safe, professional manner. This approach saves our customers money, time, and space, and reduces the need for their own in-house information technology department.



e-Business Facts

- Business-to-business (B2B) e-commerce represents over 80% of all e-commerce.
- In 1998, only 15% of Canadian small businesses were connected online compared to 35% in 1999.
- In Canada, 4% of small businesses and 12% of medium-sized businesses were selling products and services online in 1999.
- Canadian high speed Internet connections rose to 22% in 1999.

The Regina Data Centre features leading-edge hardware, software and security, along with:

- *housing of Internet applications for more than 500 customers, including government departments, national and international businesses;*
- *high speed customer access to their information from multiple locations and by multiple employees;*
- *167 servers — many shared with other customers — resulting in economies of scale and lower costs; and*
- *a support group of 30 highly trained technical staff who maintain and monitor the data centre 7 days a week, 24 hours a day, 365 days a year.*

In 2000, we began work to establish a data centre in Saskatoon.

With the convergence of the telecommunications and computer industries, SaskTel envisions data centres as the future heart of our business, and SaskTel intends to make additional investments in data centre technology in the future.

DIV Broadcast License Application

SaskTel has applied to the Canadian Radio-television and Telecommunications Commission (CRTC) for permission to offer broadcasting services as part of its new Digital Interactive Video (DIV) service. If approved, SaskTel plans to begin commercial service of DIV in Regina and Saskatoon in 2001, and later, to seven other major urban centres in Saskatchewan.

DIV will mean greater flexibility and choice for customers, plus enhanced features combining the power of the Internet with the familiarity and convenience of television. It also has the potential to bring the Internet to more Saskatchewan homes, as those who do not have a computer will be able to access the Internet through their televisions.

The convergence of the Internet and cable television is the next natural step in the changing communications industry, and it is important for SaskTel to make this new technology available to our customers in Saskatchewan. The DIV initiative supports SaskTel's diversification imperative, and positions the Corporation to compete effectively with cable companies in the Internet market.

BrainBinder.com

www.brainbinder.com

SaskTel and Sun Microsystems of Canada Inc. are collaborating on BrainBinder.com — a Web-based technology and network computing deployment for grades K-12. BrainBinder.com will address the need for improved and easy-to-use access to online educational resources at school divisions in Moose Jaw and North Battleford. Presently, these school divisions are the site of the largest Sun Ray™ enterprise appliance deployment to date in the world undertaken by Sun Microsystems.

This project represents the growing movement to a more efficient, effective and flexible model of network and web-based computing. It can significantly reduce the burden and expense of maintaining and upgrading online content, and personal computers located in classrooms.

Roughly 3,300 Sun Ray™ enterprise appliances from Sun Microsystems were deployed throughout 42 schools for the 2000-2001 school year. Each classroom, teacher's desk, library and administrative office is equipped with the easy-to-use information appliances that will replace personal computers.

LoadTrak

www.load-trak.com

LoadTrak is the latest e-business solution for Saskatchewan-based trucking businesses. SaskTel is the first full-service

provider in Canada to offer an Internet-based service that tracks the location of vehicles anywhere in North America, and allows trucking companies to communicate real-time dispatch information to their drivers.

LoadTrak is a wireless service, offering a Global Positioning System (GPS) based Automatic Vehicle Location (AVL) Tracking capability, and laptop PC messaging for the mobile user. Customers automatically receive an e-mail when their load is delivered.

As trucking is a major industry in Saskatchewan, SaskTel is committed to helping these businesses streamline their internal processes, operate efficiently, and assisting them in providing the best possible service to their customers.

SaskTel Mobility established dealers for this service inside and outside Saskatchewan throughout 2000.

Site.link

www.sitelinkdata.com

Through Site.link, SaskTel Mobility is committed to helping oil and gas producers, vital to Western Canada, increase internal efficiencies and production, by providing them with a flexible and affordable, low-cost end-to-end wireless solution to manage their businesses.

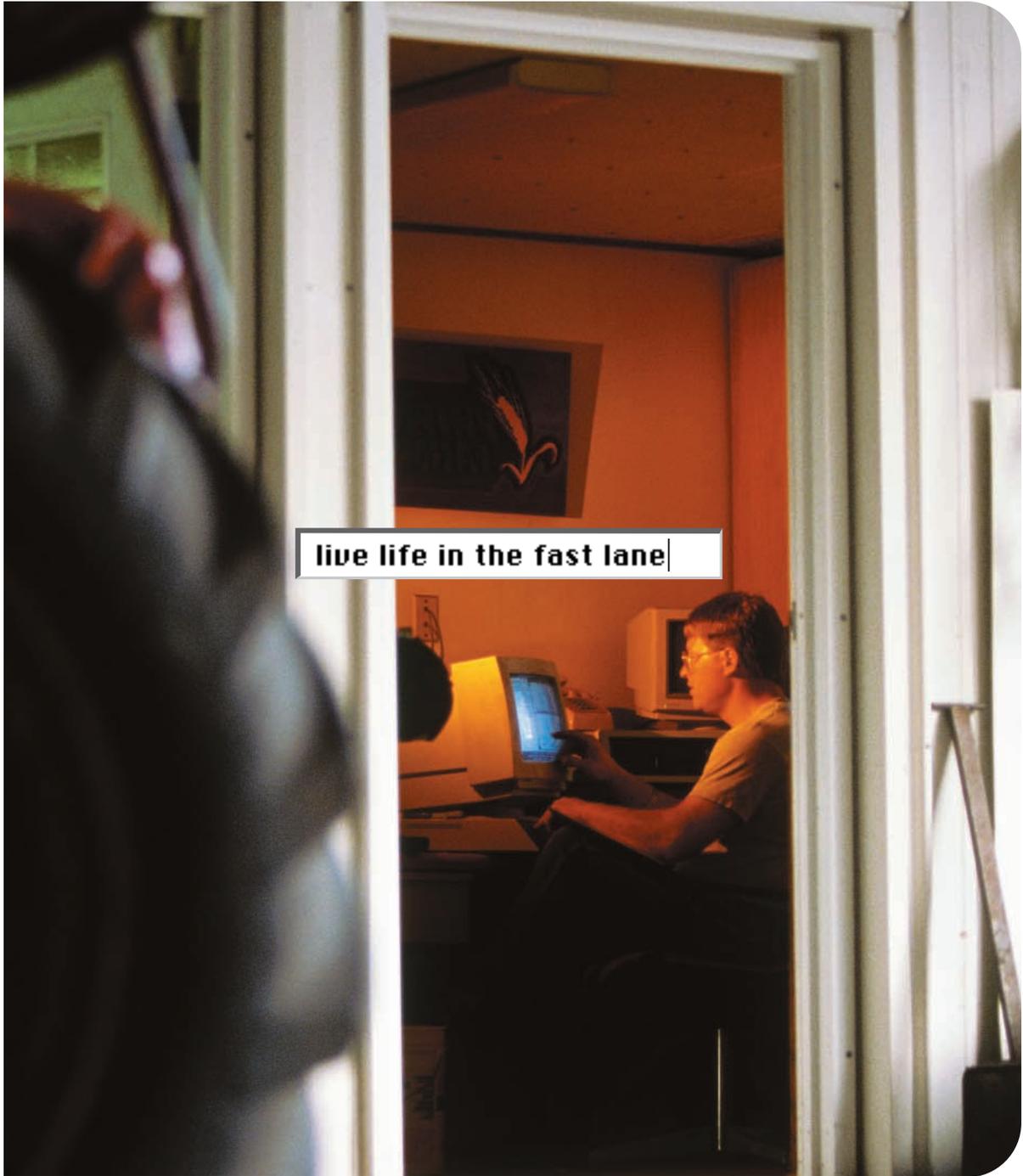
Site.link will provide real-time information to oil and gas field producers. This secure Internet-based service offers a professionally managed solution complete with installation and service, data capture, infrastructure hosting, alarm detection and environmental protection. Presentation of information will be available through both wireline and wireless Internet connection.

Site.link is an example of SaskTel's e-business strategy designed to provide industries with Internet-based solutions to enhance their business. While presently in the trial stage, SaskTel expects to market Site.link in 2001.

In 2000, SaskTel expanded High Speed Internet service to nine more communities throughout Saskatchewan. With this expansion, 54 per cent of our total customer base in 19 communities can access SaskTel's High Speed Internet network, and we will continue to expand the High Speed network as quickly as is economically feasible.

Also, SaskTel added new High Speed Internet services in 2000. These services offer greater value to customers by providing: increased bandwidth giving customers faster access to larger files; more e-mail addresses for more efficient communication handling and customized domain name hosting for easier-to-remember e-mail addresses.

SaskTel has invested more than \$37 million to offer our customers this high quality, price-competitive service. This was an important objective for SaskTel, because it gives more of our customers access to the communications infrastructure needed to make use of the growing range of e-business solutions.



live life in the fast lane

LEADING OUR STRATEGY OF GROWTH › For years in our annual reports we have talked about SaskTel's overall strategy to diversify into new areas of business. As revenues from traditional lines of business began to decline, we had to look for options in new and growing markets where we could not only sustain the strong financial foundation that allows us to serve Saskatchewan effectively, but where we could also develop new forms of technical and business expertise. From the beginning when SaskTel began looking beyond its traditional market horizons, the global endeavors of SaskTel International have led the way.

SaskTel International

www.sasktel-international.com

Since the establishment of SaskTel International (SI) in 1986, enterprises outside of Saskatchewan have generated revenue of more than \$481 million. SI has worked in over thirty countries around the world and has completed more than sixty projects.

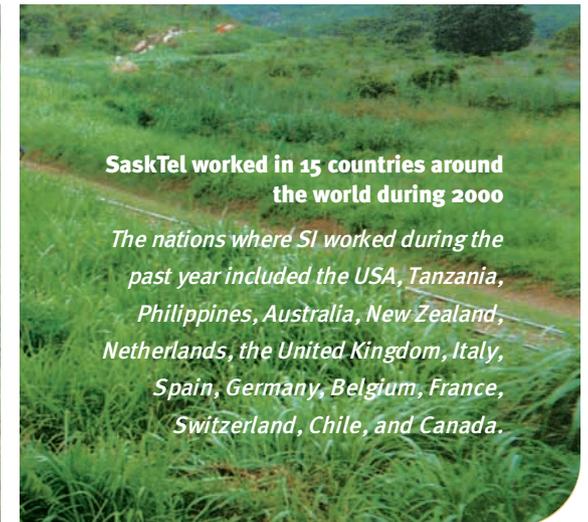
During the past twelve months, at work sites all around the world, SaskTel International did more hours of consulting than in any other year — more than 44 person-years of consulting on a variety of communications projects.

As this annual report goes to press, the people of Tanzania's Kagera region will be discovering the benefits of modern telecommunications systems delivered by SaskTel International. SI has been in Tanzania for several years installing and commissioning a rural subscriber radio network and its associated outside plant network.

› SaskTel International



Trenching in Tanzania.



SaskTel worked in 15 countries around the world during 2000

The nations where SI worked during the past year included the USA, Tanzania, Philippines, Australia, New Zealand, Netherlands, the United Kingdom, Italy, Spain, Germany, Belgium, France, Switzerland, Chile, and Canada.

The project was completed in 2000, with final acceptance to be done by the end of February, 2001.

But our work in Tanzania is not over. During 2000, we started to work on phase 2 of the Telecommunications Network Improvement Project for the Tanzanian Railway Company. Phase 2 of this project involves installing an SDH (Synchronous Digital Hierarchy) fiber network between Morogoro and Dodoma in Tanzania.

In 2000, SI's software division added two new clients. HickoryTech, an incumbent local exchange carrier based in Mankato, Minnesota, as well as Integra Telecom of Portland, Oregon, a competitive local exchange carrier (CLEC), both chose our MARTENS® suite of products to serve their service provisioning needs. Integra was SI's first success in the CLEC marketplace, demonstrating the flexibility of MARTENS to accommodate the service provisioning requirements of all types of communications providers.

Our successes in Leicester, U.K. and Wellington, N.Z. have demonstrated SaskTel's ability to invest wisely and profitably abroad. Looking ahead, SI plans to continue pursuing equity investment opportunities worldwide, and in doing so contribute to the overall growth of SaskTel.

Growth Opportunities Closer to Home

SaskTel's world is expanding outwardly and inwardly at the same time. While SaskTel International takes us outward to find markets in new geographies, much of our diversification effort allows us to expand our suite of services within our traditional serving area. This inward-focussed diversification means that our world is touching your world as a customer in more ways every day. When someone swipes a debit card to pay for pizza delivery or a cab fare, when a homeowner resets her security system, when a farmer checks on the weather using the display on his cell phone, when a doctor makes a diagnosis from a remote location after downloading test results over the

web – in these and so many other instances, SaskTel is helping to create new channels of electronic communication.

Craig Wireless International, Inc.

On April 25, 2000, SaskTel announced that it had acquired 29.9 per cent of Craig Wireless International Inc., a company established by Craig Broadcast Systems Inc. to hold the assets of SkyCable, its wireless broadcast television and high speed Internet services in Manitoba, British Columbia, and Palm Springs, California. The partnership will take advantage of SkyCable's Multipoint Distribution System (MDS) infrastructure and SaskTel's Internet and network experience to market television broadcasting, Internet access, High Speed data transmission, and voice videoconferencing.

Retx.com, Inc.

www.retx.com

This was also the year we formed an important partnership with Retx.com, Inc. of Atlanta, Georgia to offer B2B (business-to-business) Internet service for the retail energy industry. SaskTel acquired 49 per cent of Retx.com, Inc. and will be the exclusive web-hosting provider to Retx.com, Inc. for its web applications.

Retx.com, Inc. has established a secure and efficient nationwide clearinghouse portal for processing the full set of supply-chain transactions among electric and natural gas distribution utilities, retail energy service providers, and consumers. The Retx.com, Inc. end-to-end solution allows energy companies to enter markets faster and more competitively in the \$300 billion energy industry.

It was the right time to make a move in the energy sector for two reasons: First, the North American electrical and natural gas industry has deregulated enough for such opportunities to arise, and, second, businesses are increasingly relying upon the

SecurTek Acquires Manitoba Company

www.securtek.net

On August 1, 2000, SaskTel SecurTek announced that it was continuing its growth strategy by acquiring Metropol™ Emergency Response Centre (MERC), a Manitoba-based security and monitoring services company that serves customers throughout Western Canada. SecurTek's strategy is to partner with security companies to grow its business and expand its market reach both inside and outside Saskatchewan. Acquiring MERC allows SecurTek to grow its customer base and gain an immediate, positive market presence outside Saskatchewan. MERC is a wholly-owned subsidiary of SecurTek.

Internet for their communication needs. Retx.com, Inc. is positioned to make the most of these opportunities and this partnership will allow SaskTel to develop its skills and suite of Internet solutions in the emerging business e-commerce market.

Hospitality Network Canada Inc. Makes Acquisition

www.hospnet.org

In 2000, SaskTel's majority owned subsidiary, Hospitality Network Canada Inc., purchased Telerent of Canada, Inc.'s TeleHealth Services Division. TeleHealth currently provides television rental services to over 100 hospitals throughout Canada. Hospitality Network Canada Inc. provides video entertainment services to the Saskatchewan hotel market, as well as patient television and telephone rental services to Canadian hospitals.

SASKTEL IS A RESPONSIBLE CORPORATE CITIZEN. We have programs that provide the best value for our customers, fair and equitable treatment of our employees, protection for the environment, and support for the economy and community we serve.

SaskTel believes it has a responsibility to report on more than its bottom line and to be open and honest with its stakeholders. We believe we have a greater responsibility to our stakeholders. We believe it's time to report on the imprint that our corporation has on Saskatchewan society.

This year, SaskTel begins a cycle of annual reporting on activities that affect you and your province. This first report summarizes four key stakeholder areas: Community, Employees, Environment, and Suppliers and Dealers.

Community

SaskTel supports the community and the quality of life in Saskatchewan. Our company and employees contribute financial assistance and volunteer time to enrich the lives of Saskatchewan people and their communities. SaskTel supports a variety of non-profit and charitable organizations in Saskatchewan. Through our Community Investment Program, we provide financial assistance for health, educational, cultural, athletic, Aboriginal and community service activities. Last year we contributed \$1.8 million to 1742 organizations in the province.

At the same time, the SaskTel Pioneers, an organization of current, former, and retired SaskTel employees, contributed \$436,789 and 59,426 hours of volunteer

A S U M M A R Y R E P O R T - www.sasktel.com/2000_annualreport/social

› Corporate Social Responsibility



"Leading organizations are broadening their approach to corporate social responsibility and developing non-financial measures to gauge the performance of their stakeholder initiatives."

Conference Board of Canada

time in 2000 to community projects that focus on education, the environment, and health. SaskTel Telcare, our employee benevolent fund, donated \$210,003 in 2000 to assist 66 Saskatchewan charities.

SaskTel and our employees have chosen the prevention of child abuse as our primary social cause. To help make a difference for Saskatchewan children, we partnered with three community organizations to support their work in the areas of abuse prevention and positive parenting: the Saskatchewan Institute on Prevention of Handicaps, the Pipestone Health District, and the Provincial Association of Transition Houses of Saskatchewan.

Employees

At SaskTel, our focus is our customer and our strength is our people. We work hard to cultivate an environment that supports personal and corporate success. This commitment is reflected in our respectful relationship with the employee union, the Communications, Energy and Paperworkers (CEP), our recent award as one of the “35 Best Companies to Work For,” in Canada, and a host of benefits and programs that support SaskTel employees and their families.

SaskTel launched a new online training program in 2000. This new e-learning approach is more than a way to offer staff access to a broader range of flexible learning opportunities; it also serves our overall e-business strategy by developing in our employees a greater understanding of the technology we are selling.

In response to a very competitive market, in 2000 we launched a major staff reduction program that was entirely voluntary. SaskTel achieved its staffing targets while continuing to work on employment equity within our workforce to better represent the population we serve. Employment equity groups include women,

Aboriginal people, persons with disabilities and visible minorities. Currently in Saskatchewan, Aboriginal people, people with disabilities, and visible minorities account for approximately 25 per cent of the labour market and that number is expected to increase. In 2000, 36 per cent of permanent new hires were from these employment equity groups.

Environment

SaskTel is committed to being at the forefront of environmental practice and protection in our industry and in Saskatchewan. The fundamentals of our operation include doing all that is reasonable to return work sites to a former, or an improved condition; maintaining a waste minimization program aimed at reducing, reusing, recycling and recovering; and meeting or exceeding environmental laws, regulations, and standards. In 2000, we spent over \$327,000 on environmental programs.

During the year, we introduced environmental guidelines for employees and vendors. The goal is to eliminate or minimize any adverse impact on the environment when developing or removing any facility, device or process. Guidelines include assessing the impact on air, water, land disposal practices, health and safety of personnel, customers and community residences.

SaskTel has stopped using herbicides around our small building sites throughout the province and is in the process of returning the landscape at these sites to native vegetation.

Several of our community partnerships have allowed us to extend recycling and other ecologically-friendly programs beyond our corporate boundaries. For example, in 2000, SaskTel recycled approximately 208,400 outdated phone books province-wide — which amounts to a return rate of 25% of phone books.

SaskTel is One of the Best

According to the February 2000 edition of the Globe and Mail's Report on Business magazine, SaskTel was listed number thirty among the 35 best companies to work for in Canada. While perks and stock options are important, how people are treated at work is key to identifying which companies stand apart from the others. SaskTel was commended on its training programs and its commitment to ensuring senior management communicates regularly with staff in all locations. SaskTel was the only Saskatchewan-based company to make the list.

Suppliers and Dealers

At SaskTel, we have made it a policy to work with Saskatchewan businesses wherever possible in purchasing goods and services and in distributing our own products and services. This means that we look first in Saskatchewan for all our materials and services. In 2000, SaskTel spent \$275 million on materials and services from Saskatchewan suppliers.

When we need partners to help us bring our own products and services to market, we team up with small businesses across the province. At the end of 2000, SaskTel was working with approximately 375 dealers in Saskatchewan towns and cities. This relationship brings spin-off benefits to the host communities by keeping revenue and jobs local.

Social reporting is a new adventure for SaskTel and we expect the process and level of disclosure to evolve each year, meeting our long-term commitment of open and honest communication with stakeholders.

financials

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THE MANAGEMENT'S DISCUSSION AND ANALYSIS focuses on the overall performance of Saskatchewan Telecommunications Holding Corporation (the Corporation), and its major strategic business units or “operating segments” which make up the majority of the Corporation’s holdings. The significant operating segments are: SaskTel Wireline and SaskTel Wireless, which operate within Saskatchewan Telecommunications, as well as Saskatchewan Telecommunications International, Inc. (SaskTel International) and DirectWest Publishing Partnership (DirectWest). The information on each of the major operating segments details the various business activities that the Corporation is engaged in and the performance associated with these business activities.

› Management’s Discussion and Analysis

› Overview of Operations

The discussion and analysis should be read in conjunction with the Corporation’s audited, consolidated financial statements which are on pages 33 to 45 of this report.

The Corporation is the leading full service communications company in Saskatchewan, providing competitive voice, data, dial and High Speed Internet, web-hosting, QUANTUMLYNX Office applications, secure electronic transactions, text and messaging services over a fiber optic-based, fully digital network, as well as digital and analog cellular, paging, wireless data and FleetNet 800™ service. The Corporation’s major asset is a wholly owned subsidiary, Saskatchewan Telecommunications, which has been the principal supplier of telecommunications in Saskatchewan

for over 90 years. The Corporation also maintains investments in companies which provide directory publishing, remote security monitoring, system design, project management, engineering consulting, software sales, multimedia, cable television, transaction clearinghouse and wireless point of sale services. Through interconnection agreements with the Canadian telecommunications industry – primarily Bell Canada – the Corporation is part of the national and global communications network.

› Results of Operations

Consolidated Net Income

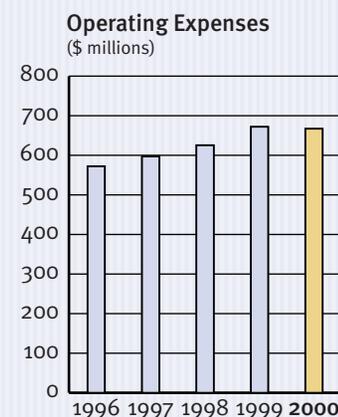
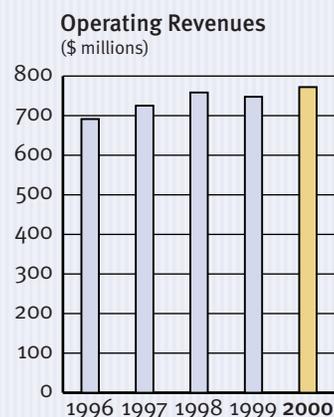
	<i>(Millions of dollars)</i>	
	2000	1999
Income from Operations:		
SaskTel Wireline	\$ 76.8	\$ 48.0
SaskTel Wireless	21.0	6.1
SaskTel International	1.4	0.2
DirectWest	1.6	1.6
Other	18.0	20.8
	118.8	76.7
Intercompany Eliminations	(8.4)	(11.0)
Income from Operations	110.4	65.7
Other Items	1.4	(1.2)
Interest and Related Costs	(37.9)	(36.0)
Gain on Sale of Investments	23.1	39.0
Consolidated Net Income	\$ 97.0	\$ 67.5

The Corporation's consolidated net income increased to \$97.0 million in 2000 (1999 — \$67.5 million). A reduction in restructuring and other charges, along with increases in cellular, Internet, and local service revenues contributed to the rise in net income. These increases were partially offset by a continued reduction in long distance revenues and by a reduction in gains on sale of investments.

During 2000, the Corporation sold 4,109,000 common shares in Austar United Communications Limited (Austar) for a gain of \$13.7 million. A non-cash gain of \$39.0 million was recorded in 1999 when the Corporation exchanged its 35% equity position in Saturn Communications Limited for a 2.9% interest in Austar.

On September 1, 2000, the Corporation divested its 29.9% equity position in Regional Cable TV (Western) Inc., which resulted in a non-cash gain of \$7.7 million. As consideration, the Corporation received 1,223,491 common shares in the parent company Regional Cablesystems Inc. The total value of the shares received was \$14.7 million.

Restructuring and other charges totalled \$10.8 million in 2000, down from \$34.2 million in 1999. Restructuring charges of \$10.2 million relate to the employee Voluntary Separation Program and adjustments to prior years' Early Retirement Programs. Other charges totalling \$0.6 million represent a write-down of infrastructure assets.



Operating revenues for 2000 were \$777.7 million, up from \$753.9 million in 1999. Operating expenses for 2000 were \$667.3 million, a decrease of \$20.9 million from 1999. In the sections that follow, detailed reviews of the Corporation's major segments will comment on their performance in terms of operating revenues and expenses.

› Results of Operations *continued*

SaskTel Wireline

www.sasktel.com

SaskTel Wireline provides a comprehensive range of communications solutions and support services including telephone (wireline), data networking, Internet access, as well as a rapidly evolving set of e-business solutions, including Internet applications and professional services. In 2000, SaskTel Wireline accounted for 80.6% of the Corporation's total operating revenues.

Operating Revenues

	<i>(Millions of dollars)</i>	
	2000	1999
Local Service	\$ 290.8	\$ 274.1
Long Distance Service	177.5	195.2
Data and Internet Services	116.1	107.7
Other	42.2	36.2
Total	\$ 626.6	\$ 613.2

Local Service

Local service revenues increased \$16.7 million or 6.1% from 1999.

Contributing to the rise in local service revenues was a local rate increase on March 17, 2000. Basic telephone services for all residential customers increased to a base fee of \$22 per month.

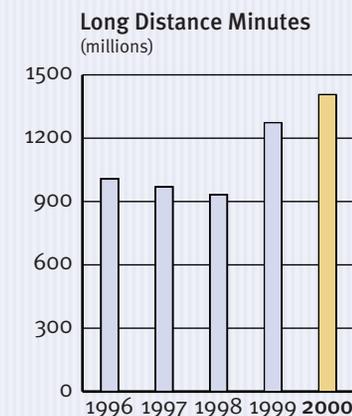
Further promotion and increased usage of local features, such as SmartTouch™ and MessageManager™ led to a 15.3% improvement in enhanced local service revenues.

Contribution received from other telecommunication companies to terminate calls on the local network declined by \$3.8 million in 2000. The decrease was a result of a 38.0% reduction in the contribution rate, which was due to further rate rebalancing.

Long Distance

Long distance revenues decreased to \$177.5 million (a 9.1% decrease), despite a 10.5% increase in long distance minutes. Increased adoption of flat rate plans coupled with the increase in minutes resulted in a 16.5% reduction of the average revenue per minute.

The competitive pressures felt in the long distance market over the past few years are beginning to lessen as SaskTel Wireline has managed to retain a majority share in the Saskatchewan market. Despite this, long distance rates continue to decline along with long distance revenues primarily due to increased adoption of the Community Savings Plan, the Straight Rate™ Savings Plan, and SaskTel Bundles, all of which offer flat rate or unlimited long distance calling. 2000 marked the first full year of the Direct Savings program for business customers, which provides low, per minute long distance rates for all calls.



› Results of Operations *continued*

Data and Internet

Data and Internet revenue increased \$8.4 million to \$116.1 million in 2000 (an increase of 7.8%). Increases in Internet and intra-provincial data service revenues were partially offset by a decrease in inter-provincial data services, which was due to the introduction of a new settlement plan among former Stentor partners.

In line with the Corporation's strategy of growth and diversification is the need to become Saskatchewan's largest and most recognized Internet Service Provider. In 2000, the Corporation made significant advances to achieving this goal with High Speed accesses up 12,039 or 132.4%. The large increase in accesses can be attributed to increased promotion, and a full year impact of a re-price on High Speed services implemented in August 1999. In addition, the coverage area for High Speed services was expanded to nine more communities across the province including Humboldt, Kindersley, Lloydminster, Meadow Lake, Melfort, Melville, Moosomin, Nipawin and Tisdale. Dial-up Internet also experienced high customer growth with an increase of 17.4% over 1999. New packages, with lower rates and increased hours of usage, are largely responsible for the increase in customers.

Other

Other revenues increased \$6.0 million or 16.6% primarily due to an increase in intercompany management services to support growth initiatives within the SaskTel group of companies. A reduction in the write off of uncollectable accounts also contributed to the increase.

Operating Expenses

In 2000, operating expenses were \$549.8 million, a decrease of \$15.4 million from 1999.

Decreases in operating expenses were primarily due to a reduction in restructuring and other charges from \$21.7 million in 1999 to \$10.2 million in 2000. Restructuring charges include costs relating to the employee Voluntary Separation Program (VSP) announced in 2000 and adjustments pertaining to prior years' Early Retirement Programs. Other charges relate to the write-down of infrastructure assets. The VSP was introduced as part of the Corporation's Operational Efficiency Program, in an effort to reduce operating costs across the Corporation. During the year, salaries and benefits decreased \$4.1 million, primarily due to the success of the Voluntary Separation and Early Retirement Programs. During 2000, cost containment initiatives were successful in reducing general operating and maintenance expenses by \$2.9 million from 1999 levels. Offsetting these savings was an increase in depreciation expense of \$2.9 million.

SaskTel Wireless

www.sasktelmobility.com

The Corporation's wireless segment is represented by SaskTel Mobility, which is Saskatchewan's largest wireless service provider offering customers a broad range of wireless products and services including cellular, digital Personal Communication Services (PCS), Paging, FleetNet 800™ and wireless data services. SaskTel Mobility operates as a division of Saskatchewan Telecommunications.

› Results of Operations *continued*

Operating Revenues

Total operating revenues in 2000 were \$133.0 million, up \$6.1 million from 1999. This increase reflects the 16.4% growth in cellular customers and increased roaming and resale revenues. SaskTel Mobility achieved this customer and revenue growth despite the introduction of a third cellular provider in the province during 2000.

In 2000, SaskTel Mobility was successful in stemming the industry trend of declining average revenue per user (ARPU) for its post-paid cellular customers. Marketing efforts were focused on increasing monthly recurring revenue and providing features to digital PCS customers. This resulted in ARPU for this segment of customers being consistent with 1999 levels. Continued strong growth of the prepaid service, however, resulted in a decline of the overall ARPU for the year as this service has proven to be popular with the youth market and casual users of cellular service.

Revenues from FleetNet 800 and Paging were consistent with 1999 levels. Wireless data revenues increased \$0.5 million from 1999, with the growth in customer solutions such as Lightning™ Mobile Commerce, a wireless point of sale application and LoadTrak, a trucking and fleet management application.

Operating Expenses

Total operating expenses in 2000, including depreciation, were \$112.0 million, a decrease of \$8.8 million from 1999. A major portion of the decrease is attributed to a \$11.9 million decrease in restructuring and other charges versus 1999 levels. Process improvement activities, lower bad debt and decreases in roaming expenses helped contribute to the decrease in operating expenses. These decreases were offset by a growing customer base, which has led to additional toll costs, dealer commissions and billing charges. Additional expenses were incurred as part of the expansion of the digital PCS network and increased network facilities costs. In an effort to strengthen market share, SaskTel Mobility increased the subsidy provided towards the cost of a digital phone, thereby increasing advertising and promotion expenses.

SaskTel International

www.sasktel-international.com

SaskTel International is a wholly owned subsidiary of the Corporation, with its head office located in Regina, Saskatchewan, Canada. SaskTel International offers technical solutions internationally, including network integration, advanced network management, and interactive services, as well as global investments.

Operating Revenues

SaskTel International revenues were \$22.2 million (1999 — \$18.8M), a year over year increase of 18.1%. Consulting and equipment revenues were \$14.4 million, up 35.8% from \$10.6 million in 1999. Consulting and equipment sales in 2000 were generated mainly from SaskTel International contracts in Tanzania and through contracts with Nortel Networks in Europe and the United States.

The software division recorded sales of \$6.9 million (1999 — \$7.4 million). Software revenues in 2000 were generated from sales and support related to MICA/SICA Client Associations, software support consulting and a MARTENS® suite of products sale to Integra Telecom Inc.

Operating Expenses

Operating expenses of \$20.8 million increased 11.2% from \$18.7 million in 1999. The variance was due to a \$1.9 million increase in the cost of sales, resulting from increased revenues. Administrative expenses were unchanged in 2000.

› Results of Operations *continued*

DirectWest

www.directwest.com

DirectWest provides directory services through its ten directories within the cities and districts in Saskatchewan, as well as interactive services through the Internet at www.mysask.com. Through its Agricultural Services division, DirectWest provides the Western Canadian marketplace with agricultural publications and online services at www.warrendirectory.com. DirectWest is a wholly owned subsidiary of the Corporation.

Operating Revenues

Operating revenues for the year remained constant at \$30.7 million in 2000. Though the business has shown growth in the new media and agricultural business areas, this growth was offset by a decline in the print directory business caused by new competitive activity and economic conditions.

During the year, continued competition in the print directory business required additional effort and focus to maintain DirectWest's position within the marketplace. The new customer programs introduced during the year, as well as DirectWest's commitment to continue expanding and enhancing its directory services, have generated interest from both consumers and businesses. As a result, DirectWest is well positioned to develop its print directory business by increasing the value it provides to Saskatchewan consumers and businesses.

During 2000, DirectWest continued its focus on the new media environment. The DirectWest portal at www.mysask.com continued to set traffic and usage records, attesting to ongoing consumer demand and interest. Site changes that took effect in May of this year resulted in very positive feedback from users. As DirectWest continues to invest and add to this new business area, strong online growth is expected to continue.

In April of 2000, DirectWest moved into the agricultural directory marketplace with its purchase of Warren's Farm and Ranch Directory. This purchase was made to acquire a strong existing brand, but also as a base to expand within the agricultural sector.

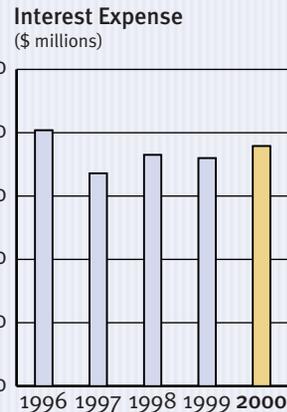
Operating Expenses

Operating expenses for the year were \$29.1 million. In 2000, additional expenditures were required for competitive programs, production expenses, new media and agricultural initiatives. Overall, operating expenses were 0.3% below last year due to a strong focus on improving operational efficiency within all business divisions.

› Results of Operations *continued*

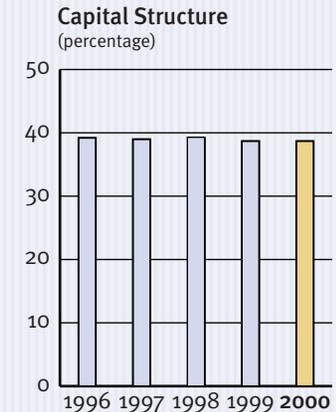
Interest Expense

The Corporation's overall level of debt decreased moderately over the past year. Interest and related costs increased from \$36.0 million in 1999 to \$37.9 million in 2000. This increase is largely due to a \$2.5 million reduction in sinking fund earnings from 1999, and an increase in foreign exchange-related interest costs of \$1.0 million, which was due to a weakening Canadian dollar versus the US dollar. Offsetting these increases is a decrease in interest expense of \$1.6 million, which can be attributed to the refinancing of high interest debt.



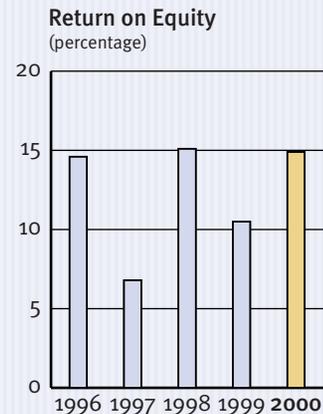
Capital Structure

The debt ratio remained unchanged from 1999 at 38.7%. The Corporation's capital structure remains strong as it continues to self-finance its capital and dividend requirements while maintaining a debt ratio below 40%. Retained earnings increased \$9.7 million after recording net income of \$97.0 million and dividends of \$87.3 million. The overall level of debt increased by \$5.0 million during the year.



Return on Equity

In 2000, the Corporation's Return on Equity (ROE) increased to 14.9% (1999 — 10.5%). A reduction in restructuring and other charges along with increases in cellular, Internet, and local service revenues have contributed to the increase in ROE. The positive impacts to the ROE were offset by a continued decline in long distance revenues and by a reduction in gains on sale of investments. In 2000, restructuring and other charges had a negative impact of 1.7% on ROE, while the gains on sale of investments had a positive impact of 3.5%.



› Liquidity and Capital Resources

Operating Activities

In 2000, cash flows from operating activities increased by \$11.3 million to \$208.1 million (1999 – \$196.8 million). The increase is primarily attributable to an increase in operating revenues, which was partially offset by working capital requirements.

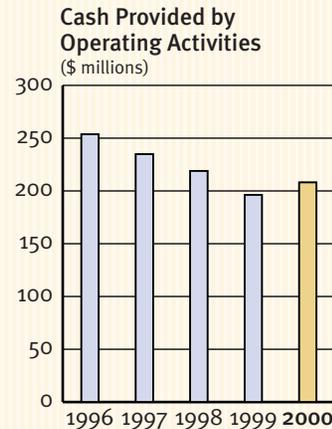
Financing Activities

Debt related activities generated net cash of \$3.9 million in 2000, compared to \$8.8 million in 1999. In 2000, dividends declared to Crown Investments Corporation of Saskatchewan amounted to \$87.3 million (1999 – \$60.8 million). During the last five years, the Corporation has paid a total of \$282.1 million in dividends while still managing to maintain a debt ratio below 40%.

Investing Activities

Capital Spending

The Corporation's net capital spending in 2000 was \$107.6 million, compared to \$155.3 million in 1999. The net decrease in capital spending of \$47.7 million can be attributed to a reduction in spending for both legacy services and growth initiatives.



SaskTel Wireline

SaskTel Wireline invested approximately \$38.7 million (1999 – \$47.9 million) for growth initiatives in 2000, a decrease of \$9.2 million. In addition, expenditures relating to legacy services decreased by \$37.1 million to \$55.5 million in 2000 (1999 – \$92.6 million). Spending continued on the Core Network Evolution Program (CNEP), which provides for the modernization, upgrading and replacement of key elements of the switching and transmission network. This program is expected to be completed in 2001. In addition, capital resources were allocated to the Desktop Computer Provisioning and Enterprise Storage Architecture initiatives, which provide for the replacement and establishment of new data and communications infrastructure required for future growth. In 2000, SaskTel Wireline invested another \$24.9 million (1999 – \$38.5 million) in network infrastructure to ensure it continues to meet demand without compromising its quality of service.

SaskTel Wireline continued to invest in growth and diversification initiatives such as Access Network Infrastructure Program (ANIP) and High Speed Internet. In 2000, ANIP provided improved High Speed access and coverage to nine major centres at a cost of \$7.3 million. ANIP will allow SaskTel Wireline to provide additional High Speed service offerings in the future. Expenditures on the High Speed initiative increased to \$16.1 million (1999 – \$8.1 million) due to increased demand for High Speed Internet and digital subscriber line data services.

SaskTel Wireless

Capital investment in 2000 was \$16.7 million, an increase of \$1.5 million from 1999. Of this total, 71% was used for Digital PCS network development, expansion and coverage improvements, while the remaining 29% was used for general capital expenditures, primarily information technology projects.

› Liquidity and Capital Resources *continued*

In 2000, several phases of the Digital PCS network expansion occurred. In Phase I, Digital PCS service was extended from Regina and Saskatoon to Moose Jaw, Prince Albert and the highway corridors. Phase II continued with the expansion of Digital PCS service to Humboldt, Indian Head, Lanigan, North Battleford, Wakaw, Watrous, and Yorkton, including the highway corridors. New service was provided to the communities and surrounding areas of Asquith, Lemberg, Meath Park, Prud'homme, Strasbourg, and Watson.

By the end of 2000, digital coverage had reached 64% of the Saskatchewan population. SaskTel Mobility believes this extensive digital coverage will become increasingly important, particularly to business customers who require digital features to be available throughout a broad geographic area. As such, SaskTel Mobility holds a distinct advantage in the Saskatchewan market and has plans to further expand its Digital PCS network to existing analog and new areas in 2001.

Businesses Acquired

The Corporation acquired a 96.5% interest in Telerent of Canada, Inc. (Telerent) on July 6, 2000 for \$17.8 million. Telerent operates under the name Hospitality Network and provides television and telephone rental services to hospitals across Canada.

On July 31, 2000, the Corporation acquired 100% of Metropol™ Emergency Response Centre (MERC), for a total consideration of \$7.8 million. MERC provides retail and wholesale security monitoring services in Manitoba and Alberta. These services will be offered through SaskTel's wholly owned subsidiary SecurTek Monitoring Solutions Inc.

Long-term Investments

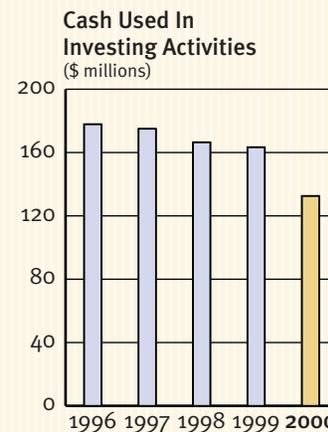
The Corporation's long-term investments increased \$12.5 million over 1999, as a result of investments in Retx.com, Inc., Craig Wireless International Inc., Soft Tracks Enterprises Ltd., and Regional Cablesystems Inc. This increase was partially offset by a reduction in the Corporation's investment in Austar, due to the sale of 4,109,000 shares during the year.

A share exchange replaced the Corporation's investment in Regional Cable TV (Western) Inc. of \$7.0 million with an investment in Regional Cablesystems Inc. of \$14.7 million. Regional Cablesystems Inc. is the parent company of Regional Cable TV (Western) Inc. and provides cable television and telecommunications services to more than 240,000 customers in more than 1,100 non-urban communities across Canada, including 181 communities in Saskatchewan.

During 2000, the Corporation invested \$11.8 million for a 49.0% interest in Retx.com, Inc. (Retx). Retx provides a secure and efficient nationwide clearinghouse portal for processing transactions for electric and natural gas distribution companies, retail energy service providers, and consumers. As part of the transaction, SaskTel will become the exclusive Web-hosting provider to Retx for its web applications.

On April 20, 2000, the Corporation purchased a 29.9% interest in Craig Wireless International Inc. (Craig Wireless) for a total consideration of \$7.0 million. Craig Wireless is a wireless cable and Internet provider with operations in Manitoba, British Columbia, and Palm Springs, California. The partnership combines the necessary experience to successfully market TV broadcasting, Internet access, high speed data transmission and voice video conferencing services.

During the year, the Corporation acquired a 19.6% interest in Soft Tracks Enterprises Ltd. (Soft Tracks) for a total of \$5.2 million. Soft Tracks creates software that allows secure credit and debit card transactions through the use of mobile, hand-held wireless point of sale terminals. SaskTel Mobility uses this technology to deploy Lightning™ Mobile Commerce, which was made commercially available in November, 1999.



> Outlook

Near-Term Financial Outlook

The following is a list of some of the factors affecting the Corporation's near term financial outlook:

- ▶ An increasingly competitive environment across all business units, leading to further decline in traditional revenues.
- ▶ Long distance revenues continuing to decline primarily due to aggressive competition in the business market.
- ▶ A continuing focus on cost savings through the implementation of operational efficiency initiatives, while maintaining a high quality of customer service.
- ▶ CRTC decisions on contribution reform, price caps and other issues will continue to shape the competitive and regulatory environment.
- ▶ New revenue growth opportunities, particularly in the IP (Internet Protocol) networking, broadband, new media, and e-business markets.
- ▶ SaskTel Mobility expanding its digital network, and making further advances in wireless data applications.
- ▶ Pending approval for a broadcast license which is required to provide Digital Interactive Video (DIV) services.

Market Issues

Competition

SaskTel operates in competitive payphone, local access, long distance, wireless, Internet, and directory markets.

Although SaskTel has been anticipating it for several years, local access competition has been very slow in establishing itself in Canada, and especially in Saskatchewan. However, SaskTel expects local competition to become more intense in 2001. SaskTel expects local access competition to originate from cable companies, as well as national competitors who want to serve their customers in Saskatchewan. It is anticipated that local competition will likely be focused in the market segment that includes residents of multi-dwelling housing units, like high-rise apartments, and business groups, as opposed to standard residential customers.

Competition has come to the payphone market in Saskatchewan, with a new entrant establishing payphones at several retail outlets in Regina, Saskatoon, and Moose Jaw. So far, this has not made a significant impact on SaskTel's payphone market share.

In long distance competition, particularly in the consumer segment, there has been some stability in the market in the last year. SaskTel expects aggressive price competition in the business market to continue. As well, it is anticipated that long distance competitors will build or acquire other lines of business and will likely bundle services.

› Outlook *continued*

The market for wireless customers is becoming increasingly more competitive and the intensity is expected to continue in the foreseeable future. The entry of new and aggressive competition in the wireless market in Saskatchewan has reduced cellular rates to among the lowest in North America. SaskTel Mobility foresees more wireless companies competing in Saskatchewan. SaskTel Mobility anticipates that a fourth carrier will commence operations in 2001, given the recent spectrum auction in Canada and pursuant to the conditions of previous national PCS licenses. All of these national carriers will aggressively compete for both voice and the growing wireless data services in the province.

With four wireless carriers competing for the same customers, the increased marketing efforts could contribute to market share losses for SaskTel Mobility. To date, however, SaskTel Mobility has maintained its market share as a result of its competitive rate plans, customer service, dealers, and network coverage advantage. SaskTel Mobility owns and operates the digital and analog cellular networks with the largest footprints in Saskatchewan, and will continue to aggressively expand its digital PCS service in the future.

SaskTel has done well in the Internet market, and the company surpassed its targets for customer growth in the Year 2000. SaskTel is still the only Internet service provider in Saskatchewan providing dial-up Internet service for urban and rural customers with no associated long distance charges. Also, SaskTel has expanded High Speed Internet service to 19 communities encompassing about 54 percent of our customer base. SaskTel's aggressive approach to marketing Internet services has been successful in competing with cable companies and other ISPs. SaskTel believes that cable companies will continue to be its biggest competitors in the Internet market, particularly in high speed services.

During 2000, two competing directory companies were active in the Saskatchewan market. Presently, DirectWest's competitors are operating in nine of ten of DirectWest's directory markets; Melville and Yorkton are the exception, but it is expected that competitors will enter this market in 2001. DirectWest has made additional effort to maintain its position within the marketplace by growing its print and online directory business, thereby increasing the value it provides to Saskatchewan consumers and businesses.

e-Business Market

As part of its growth strategy, SaskTel will continue to expand High Speed Internet access further into rural Saskatchewan. Using its Multi-point Communications Systems (MCS) spectrum license from Industry Canada, SaskTel will explore possible ways of providing wireless High Speed Internet access throughout all of Saskatchewan. This commitment complements that of the Canadian government to provide funding for the technological development needed to expand High Speed Internet access into rural areas.

If granted a license from the Canadian Radio-television and Telecommunications Commission (CRTC), SaskTel plans to begin commercial service of Digital Interactive Video (DIV) in Saskatchewan's urban centres, beginning in 2001. DIV technology offers people affordable Internet access through their televisions without needing to buy a computer. DIV will also deliver television channels at the same, or better, quality as cable, as well as video-on-demand. DIV supports SaskTel's diversification imperative and positions SaskTel to compete effectively in the Internet market with cable companies.

SaskTel is focused on being a pre-eminent e-business application and infrastructure service provider, in addition to its full line of products and services. To realize this objective, SaskTel is growing and enhancing its data and Internet business with an advanced Data Centre in Regina. SaskTel Data Centre capabilities provide customers with a wide range of reliable and secure data storage and hosting services. These services create savings for customers by reducing the need for their own in-house information technology department.

› Outlook *continued*

Data storage and application hosting is a significant potential growth area for SaskTel. With the convergence of the telecommunications and computer industries, SaskTel envisions data centres as the future heart of the company's business, and intends to make additional investments in data centre technology in the future.

The Communications Industry

Regulatory changes in the communications industry since the mid-1980s have been designed to foster competition which has resulted in a dramatically restructured industry. Since the late 1990s, ownership in the Canadian communications industry has become increasingly consolidated. Nine former incumbent companies have been reduced to five and further consolidation is certainly possible.

The traditional relationships between the companies in the industry have changed. Stentor, the consortium that once included all nine of the former incumbent telephone companies, is gone. It is anticipated that Bell Canada and Telus will continue to compete aggressively.

Like the other companies in the communications industry, SaskTel has revised its operations in response to competition which has resulted in significant reductions in long distance revenues. Presently, the Corporation's key strategies to successfully adapt to competition are operational efficiency and growth, particularly in e-business, and wireless digital and data service expansion.

With this in mind, SaskTel has established key alliances with Bell Canada and Sun Microsystems. SaskTel is realizing benefits from the Bell Canada alliance, such as direct savings in equipment discounts in a joint procurement program. SaskTel will continue to manage this relationship to our mutual benefit.

SaskTel's alliance with Sun Microsystems (formerly Netscape) focuses on developing and delivering Internet-based solutions to businesses and consumers. SaskTel will continue to consider new partnerships that can help the Corporation continue to provide affordable and universally accessible communications services to the people of Saskatchewan.

As the only constant in the communications industry is change, SaskTel will continue to align its strategies to meet the needs of its markets and the changing communications environment. SaskTel has a strong foundation of success to build upon, and its ability to deliver excellence in communication services today and into the future is undiminished. The Corporation's viability has never been stronger and SaskTel is confident that it can continue to operate efficiently and successfully and continue to succeed as an independent company in the communications industry.

Regulatory Issues

Transition to Federal Regulation

On June 30th, 2000, SaskTel came under the regulatory jurisdiction of the Canadian Radio-television and Telecommunications Commission (CRTC). The transition from provincial to federal regulation was made relatively seamless for customers as a result of the proactive measures taken by SaskTel to obtain the continued ability to respond quickly and flexibly to customer service needs. Specifically, this included obtaining forbearance equivalent to other telephone companies, approval of the rates and services in effect as of June 30, 2000, and a transitional form of price regulation for the period until December 31, 2001. As proposed by SaskTel and accepted by the CRTC, the transitional regulatory framework incorporates a price ceiling that ensures local service rates will not be increased until at least January 1, 2002.

› Outlook *continued*

Through the remaining transition period, SaskTel's regulatory focus will be on the following:

- › Forwarding the interests of SaskTel within the proceedings designed to establish the future regulatory regime for SaskTel and all provincial telephone companies.
- › Supporting the successful implementation of the CRTC's High Cost Serving Area support mechanism.
- › Gaining the necessary regulatory approvals to enable SaskTel to meet its business objectives, including approval for SaskTel to provide broadcasting services.

Regulatory Regime

Beginning in 2002, SaskTel will be regulated under the same national regulatory regime as that applied to the other major telephone companies in Canada. Today, these other telephone companies are regulated under a price cap regime. During 2001, the CRTC will determine if price cap regulation continues to be appropriate and if so, the price cap parameters that will apply in the future. In addition, the CRTC will also be determining what changes, if any, are required to local service rates in 2002.

It is important for SaskTel that the new national regulatory framework appropriately accommodate its unique ownership structure and operating territory, and thus SaskTel will be a full and active participant in this upcoming regulatory proceeding.

High Cost Serving Areas (HCSAs) and Contribution Reform

In late 2000, the CRTC issued a landmark decision regarding subsidy support for High Cost Serving Areas. Effective January 1st, 2001, the CRTC replaced the existing regionally-based contribution mechanism with a national, revenue-based subsidy system designed to ensure affordable, high-quality telecom services continue to be available in rural and remote areas of Canada.

SaskTel fully supports creation of this national fund, which provides the foundation for a sustainable and competitively neutral support mechanism for high-cost serving areas. Through 2001, SaskTel will be working with other industry members to implement the interim subsidy mechanism prescribed for 2001, and to determine the amount of subsidization required for 2002 and subsequent years. Properly implemented, this fund will help to mitigate the amount that local rates may increase in the future for SaskTel's customers.

The decision has been appealed by a number of the parties to the proceeding. SaskTel will continue to support the CRTC's decision throughout the appeal process, and protect the benefits this decision delivers to customers in Saskatchewan.

BDU License Application

As well as its role as the national regulator of telecommunications in Canada, the CRTC also has jurisdiction over Canadian broadcasting activities. In June, 2000 SaskTel applied to the CRTC for a Class 1 Broadcasting Distribution Undertaking (BDU) license, to enable SaskTel to provide Digital Interactive Video (DIV) services to locations within Saskatchewan.

This BDU license is a critical enabler to SaskTel's participation in the converging markets of communications, information and entertainment. SaskTel is expecting a decision regarding its BDU license in the first quarter of 2001.

Financial Outlook

Income Outlook

The telecommunications industry continues to be faced with increased competition, rapidly changing technology and a decrease in traditional revenues. Despite these challenges, the Corporation continues to be well positioned to generate growth in both earnings and shareholder value. Management remains confident that their long-term strategy of growth, balanced by cost containment, together with service excellence, will be the blueprints to future success.

Overall, revenues are expected to grow due to increases in wireless voice and data applications, data and Internet services, Digital Interactive Video services and growth in diversified operations. These increases will be partially offset by continued reductions in long distance revenues and market share losses.

In the near term, the Corporation will continue to focus on cost containment within its core business. Due to the success of the operational efficiency initiatives, SaskTel Wireline reduced its workforce by 449 employees or 11.8% during 2000. These savings will be realized in 2001 and beyond. Despite these savings, operating expenses are expected to increase marginally over the next few years due to growth in expenses relating to diversified operations.

The Corporation is anticipating a reduction in diversified earnings over the next two to three years, primarily due to a reduction in gains on sale of investments. The long-term nature of SaskTel's diversification initiatives may also contribute to a reduction in diversified earnings in the near term. This is due to planned investment in start-up ventures, which normally incur operating losses in the first two to three years, until operations mature and profits are realized.

Growth

At a time when revenues and margins from legacy core services are in decline, the number of opportunities for revenue growth from new products and new investments is unprecedented. The Corporation's growth strategy remains unchanged from 1999 and will continue to focus on three areas: new products in existing markets, existing products in new markets, and new products in new markets. Accordingly, SaskTel will explore opportunities within and beyond Saskatchewan's borders.

In 2000, SaskTel capitalized on external investments with a \$13.7 million gain on the sale of Astar shares. SaskTel will continue to pursue external investment opportunities as part of the Corporation's growth strategy and, by 2005, the Corporation may have invested as much as \$240 million in external investments.

Given worldwide Internet growth, the Corporation's growth strategy includes a review of opportunities and initiatives that will assist in its transformation to an e-services company.

Although many opportunities exist, the Corporation's first priority is to be "Saskatchewan's Communications Company." SaskTel is only prepared to step outside its current market and business provided that the opportunity leverages its core competencies, enables it to acquire core competencies that it requires, has an application in Saskatchewan, or expands the customer base to achieve economies of scale.

Diversified operations such as SaskTel International, SaskTel Mobility, DirectWest, QUANTUMLYNX.com, SecurTek and Hospitality Network Canada Inc. are key components of the Corporation's growth strategy. Other initiatives that contribute to the growth strategy are SaskTel Wireline services such as Digital Interactive Video services, SmartTouch™ calling features (e.g. Three-way Calling, Call Forward, Call Waiting, Name Display), MessageManager™, and data services such as Hyperstream™ (Frame Relay).

› Outlook *continued*

SaskTel International (www.sasktel-international.com) will continue to pursue large telecommunications infrastructure projects. These projects may lead to additional business within Africa, the Americas, Asia and around the globe. SaskTel International will continue to develop its software suite of products to meet changing business objectives and increase market share.

SaskTel Mobility (www.sasktelmobility.com) expects revenues to grow as a result of continued strong access growth and wireless data opportunities. Businesses are increasingly recognizing that wireless data solutions can increase productivity and efficiency. In the near future, higher speed data and Internet wireless services will be available.

A fourth cellular provider is anticipated to begin operations in Saskatchewan in 2001. Operating in a competitive environment creates significant pressure for SaskTel Mobility to focus continuously on customer retention, diversification, cost containment and process improvement efforts to improve cost structures for the long-term. Operating expenses are anticipated to increase slightly in 2001 due to servicing a growing customer base and further expansion of the digital PCS network.

In 2001, QUANTUMLYNX.com (www.quantumlynx.com) will be focusing much of its efforts upon core hosting services and further developing a suite of Internet value-added services in the e-business arena. QUANTUMLYNX.com will continue to forge ahead both within and beyond Saskatchewan via partnerships with value-added resellers and independent software vendors. QUANTUMLYNX.com will also continue to develop services using iPlanet software, further enhancing its expertise in these tools. The iPlanet alliance, combined with SaskTel's Internet Data Centre initiative, positions QUANTUMLYNX.com to compete internationally.

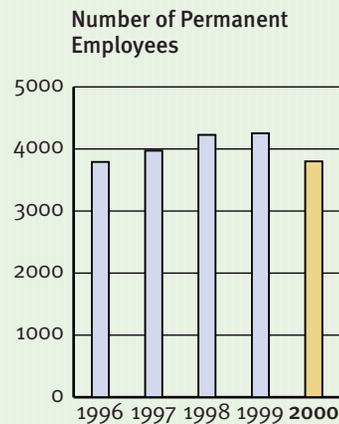
SecurTek (www.securtek.net) will focus on enhancing and developing its security monitoring and event related information services. SecurTek will be targeting select Canadian markets, developing partnerships to provide a local market presence, and making appropriate acquisitions to achieve rapid market penetration. The Saskatchewan focus will continue to expand further into business and consumer markets. In addition, new product and service development initiatives will contribute to growth in future years.

Hospitality Network Canada Inc. (HNCI) (www.hospnet.org) further established itself as a national communications company through the acquisition of Telerent of Canada, Inc. (Telerent) on July 6, 2000. The acquisition positions HNCI as a significant player in the Canadian healthcare market, providing television and telephone rental services to well over one hundred healthcare facilities throughout Canada. As a result of the acquisition, Telerent's head office was relocated from Raleigh, North Carolina, USA, to Regina, Saskatchewan resulting in employment opportunities for Canadian residents. HNCI employs over 300 people spread across all provinces with the exception of Quebec. HNCI's growth strategy will continue to focus on expanding into new geographic markets, securing new domestic hospital contracts, and adding incremental communications services such as telephone rental to its customer base.

› Outlook *continued*

Operational Efficiency

As a result of increasing competition, changing technologies and rising costs, the Corporation continues to focus on cost containment through its Operational Efficiency Program (OEP). Key to the success of the OEP are the Early Retirement Program (ERP) and the employee Voluntary Separation Program (VSP). The ERP was introduced in 1999 and concludes in 2002, while the VSP was introduced and completed in 2000. The success of these programs enabled SaskTel Wireline to reduce its workforce by 449 employees during the year. The savings associated with this will be realized in 2001 and beyond. In the future, the Corporation will continue to seek out additional opportunities to reduce costs through cost containment and process improvement initiatives. Through its strategy of growth and improved operating efficiency, the Corporation remains committed to deliver value to its shareholder and to provide quality products and services to its customers.



› Crown Sector Performance Management

Saskatchewan Telecommunications Holding Corporation (the Corporation), is a subsidiary of Crown Investments Corporation (CIC), the holding company for Saskatchewan's commercial Crown corporations. As such, the Corporation receives its strategic direction from CIC.

In 1999, CIC and its subsidiaries developed a Crown Sector Strategic Plan to provide long-term direction to the Crown sector and facilitate long-term planning. The plan includes a consistent vision statement for the Crown sector, its primary business purposes, common business values and strategic business objectives. The Corporation has developed its corporate Strategic Plan to support CIC's five strategic objectives, namely: Customer Service Excellence, Financial Health, Mandate and Role, Public Purpose, and Human Resources.

The Corporation has introduced a process called the Balanced Scorecard to measure its performance and results. The objectives of the Scorecard are to: 1) provide a balanced evaluation of operational and financial results, activities and achievements and 2) focus on short and long-term operating and financial results.

The Balanced Scorecard measures the Corporation's performance with regards to its strategic objectives such as customer, financial management, growth, technology, public policy and people. These strategic objectives are aligned with CIC's overall strategic objectives.

› Five Year Record of Service

	2000	1999	1998	1997	1996
Finance					
(Thousands of dollars)					
Operating revenues	\$ 777,672	\$ 753,878	\$ 763,978	\$ 728,037	\$ 696,897
Operating expenses	667,257	688,112	636,955	596,889	572,288
Other	24,447	37,785	2,689	(56,902)	(248)
Interest and related costs	37,885	36,029	36,514	33,612	40,361
Net income	96,977	67,522	93,198	40,634	84,000
Dividends	87,280	60,770	51,259	36,571	46,200
Gross construction expenditures	116,227	161,642	173,892	175,015	177,877
Property, plant & equipment*	2,309,505	2,256,534	2,205,045	2,120,589	2,025,022
Long-term debt (gross)*	390,203	453,089	420,373	441,999	485,981
Financial ratios					
Return on equity	14.9%	10.5%	15.1%	6.8%	14.6%
Debt ratio	38.7%	38.7%	39.3%	39.0%	39.2%
Employees and payroll					
Number of permanent employees (excluding part-time)					
Diversified operations**	481	435	456	398	249
SaskTel Wireline	3,370	3,819	3,771	3,574	3,543
Total	3,851	4,254	4,227	3,972	3,792
Salaries earned					
(Thousands of dollars)	\$ 226,517	\$ 223,589	\$ 208,529	\$ 194,947	\$ 170,358
Operational Highlights					
Network Access Services*	637,990	643,722	641,523	626,924	607,092
Originated Long Distance Minutes (In thousands)	1,406,739	1,273,545	932,745	969,533	1,008,200
Internet Access Services*	88,427	66,435	49,435	30,844	12,796
Cellular Access Services*	218,856	188,002	160,434	135,623	104,994

*At December 31.

** Includes SaskTel International, SaskTel Wireless, DirectWest, SecurTek, Other

› MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements included in the annual report of Saskatchewan Telecommunications Holding Corporation for the year ended December 31, 2000, are the responsibility of management of the Corporation and have been approved by the Board of Directors. Management has prepared the consolidated financial statements in accordance with generally accepted accounting principles in Canada. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including written policies and procedures, an organizational structure that segregates duties and a comprehensive internal audit program. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, assets are properly safeguarded and reliable financial records are maintained.

The Board of Directors fulfills its responsibility with regard to the financial statements principally through its Audit Committee, consisting solely of outside directors, which meets periodically with management as well as with the internal and external auditors. The Audit Committee is responsible for engaging or re-appointing the services of the external auditor. Both the internal and external auditors have free access to this committee to discuss their audit work, their opinion on the adequacy of internal controls and the quality of financial reporting. The Audit Committee has met with management and the external auditor to review the corporation's annual consolidated financial statements prior to submission to the Board of Directors for final approval.

The consolidated financial statements have been audited by the independent firm of PricewaterhouseCoopers LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan.



Donald R. Ching
President & Chief Executive Officer
February 16, 2001



Randy Stephanson
Chief Financial Officer

› AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the consolidated statement of financial position of Saskatchewan Telecommunications Holding Corporation as at December 31, 2000 and the consolidated statements of operations, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The prior year's consolidated financial statements were audited by another firm of Chartered Accountants who provided their audit report dated February 21, 2000.



Chartered Accountants
Regina, Saskatchewan
February 16, 2001

› Consolidated Statement of Operations

<i>For the year ended December 31 (Thousands of dollars)</i>	2000	1999
Operating revenues	\$ 777,672	\$ 753,878
Operating expenses		
Operating expenses	500,405	499,673
Depreciation and amortization	156,004	154,276
Restructuring and other charges (Note 4)	10,848	34,163
	<u>667,257</u>	<u>688,112</u>
Income from operations	110,415	65,766
Other items (Note 5)	1,373	(1,218)
Interest and related costs (Note 6)	37,885	36,029
Net income before the following	73,903	28,519
Gain on sale of investments (Note 3 and 8)	23,074	39,003
Net income	\$ 96,977	\$ 67,522

› Consolidated Statement of Retained Earnings

<i>For the year ended December 31 (Thousands of dollars)</i>	2000	1999
Retained earnings, beginning of year	\$ 396,928	\$ 390,176
Net income	96,977	67,522
	<u>493,905</u>	<u>457,698</u>
Dividends	87,280	60,770
Retained earnings, end of year	\$ 406,625	\$ 396,928

See Accompanying Notes

› Consolidated Statement of Financial Position

<i>As at December 31 (Thousands of dollars)</i>	2000	1999
Assets		
Current assets		
Cash and short-term investments	\$ 925	\$ 581
Accounts receivable	103,996	99,844
Inventories	10,204	8,468
Prepayments	12,946	13,953
	<u>128,071</u>	<u>122,846</u>
Property, plant and equipment (Note 7)	904,560	946,014
Investments (Note 8)	80,145	67,687
Other assets (Note 9)	125,068	83,043
	<u>\$ 1,237,844</u>	<u>\$ 1,219,590</u>
Liabilities and Province's equity		
Current liabilities		
Bank indebtedness	\$ 9,662	\$ 16,035
Short-term borrowings (Note 10)	55,604	16,000
Accounts payable and accrued liabilities	100,683	104,271
Dividend payable	30,298	15,770
Service billed in advance	26,311	27,562
Current portion of long-term debt (Note 11)	6,080	5,990
	<u>228,638</u>	<u>185,628</u>
Long-term debt (Note 11)	352,267	387,013
	<u>580,905</u>	<u>572,641</u>
Minority interest	314	21
Province of Saskatchewan's equity		
Equity advance (Note 12)	250,000	250,000
Retained earnings	406,625	396,928
	<u>656,625</u>	<u>646,928</u>
	<u>\$ 1,237,844</u>	<u>\$ 1,219,590</u>

See Accompanying Notes
On behalf of the Board



Tom Kehoe



Alison Renny

› Consolidated Statement of Cash Flows

<i>For the year ended December 31 (Thousands of dollars)</i>	2000	1999
Cash provided by (used in):		
Operating activities		
Net income before interest paid	\$ 140,442	\$ 110,012
Interest paid	(43,465)	(42,490)
Net income	96,977	67,522
Items not affecting cash from operations (Note 13)	123,288	134,833
Net change in non-cash working capital items	(12,174)	(5,537)
	<u>208,091</u>	<u>196,818</u>
Financing activities		
Repayment of long-term debt	(35,656)	(44,498)
Proceeds from long-term debt	—	110,000
Dividend payments	(72,752)	(53,813)
Short-term borrowings	39,604	(56,744)
	<u>(68,804)</u>	<u>(45,055)</u>
Investing activities		
Capital expenditures	(107,645)	(155,333)
Businesses acquired (Note 3)	(27,162)	(2,589)
Investments	6,535	(4,996)
Other assets	(4,298)	(473)
	<u>(132,570)</u>	<u>(163,391)</u>
Increase (decrease) in cash	6,717	(11,628)
Cash and cash equivalents, beginning of year	(15,454)	(3,826)
Cash and cash equivalents, end of year	\$ (8,737)	\$ (15,454)
Comprised of:		
Cash and short-term investments	\$ 925	\$ 581
Bank indebtedness	(9,662)	(16,035)
	<u>\$ (8,737)</u>	<u>\$ (15,454)</u>

See Accompanying Notes

› Notes to Consolidated Financial Statements – December 31, 2000

Note 1 – The Corporation

Saskatchewan Telecommunications Holding Corporation (the Corporation) markets and supplies a range of voice, data, Internet, wireless, text and image products, systems and services. The Corporation is a Saskatchewan Provincial Crown corporation operating under the authority of The Saskatchewan Telecommunications Holding Corporation Act, and as such, the Corporation and its wholly owned subsidiaries are not subject to Federal or Provincial income taxes in Canada.

In October 1998, the Federal Government granted to Saskatchewan Telecommunications (SaskTel) exemption from federal regulation by the Canadian Radio-television and Telecommunications Commission (CRTC) until June 30, 2000. In the period leading up to the expiration of the exemption and during the remainder of 2000, SaskTel continued to proactively manage the transition and implement the changes required to align with national regulatory and competition models. Regulation by the CRTC will have an impact on the Corporation's future pricing, products, service development and financial performance.

By virtue of The Crown Corporations Act, 1993, the Corporation has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC, a Provincial Crown corporation.

Note 2 – Summary of significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, and in conformity with prevailing practices in the Canadian telecommunications industry.

Subsidiaries and investments

The consolidated financial statements include the accounts of the Corporation and its subsidiaries with all significant intercompany transactions and balances being eliminated. Investments in companies in which the Corporation has significant influence are accounted for by the equity method. Portfolio investments are accounted for by the cost method.

The following is a summary of the operating entities under the Saskatchewan Telecommunications Holding Corporation group of companies:

Name	Percentage ownership	Basis for inclusion
Operating entities:		
Saskatchewan Telecommunications	100%	Consolidation
Saskatchewan Telecommunications International, Inc.	100%	Consolidation
DirectWest Publishing Partnership	100%	Consolidation
Hospitality Network Canada Inc.	96.4%	Consolidation
Hospitality Network Canada Partnership	96.5%	Consolidation
SecurTek Monitoring Solutions Inc.	100%	Consolidation
3231518 Canada Ltd. (clickabid™)	100%	Consolidation
IQ & A Partnership	100%	Consolidation
Retx.com, Inc.	49.0%	Equity
Craig Wireless International Inc.	29.9%	Equity
Soft Tracks Enterprises Ltd.	19.6%	Equity
Austar United Communications Limited	1.9%	Cost
Regional Cablesystems Inc.	7.6%	Cost

The following is a summary of the non-operating entities of the Corporation: 101000606 Saskatchewan Ltd., 101000607 Saskatchewan Ltd., 3339807 Canada Ltd., 3364381 Canada Ltd., 620064 Saskatchewan Ltd., Avonlea Holding, Inc., Battleford International, Inc., Carlyle Holding, Inc., Dundurn Holding, Inc., Esterhazy Holding, Inc., Foam Lake Holding, Inc., Grenfell Holding, Inc., Hollywood At Home Inc., IQA Corporation, Mobility Personacom Canada Inc., Saskatchewan Telecommunications International (Tanzania) Limited, SaskTel Data Exchange Inc., SaskTel Holding (Australia), Inc., SaskTel Holding (New Zealand) Inc., SaskTel Holding (U.K.) Inc., SaskTel International Consulting, Inc., SaskTel Investments Inc. and SaskTel New Media Fund Inc.

› Notes to Consolidated Financial Statements – December 31, 2000

Short-term investments

Short-term investments are carried at the lower of cost and market value.

Property, plant and equipment

Property, plant and equipment is recorded at original cost including materials, services, and direct labour.

Depreciation on property, plant and equipment is computed on the straight-line, equal-life group method using rates determined by a continuing program of engineering studies for each class of property in service.

When depreciable telecommunications property is retired, the original cost of such property, adjusted by any disposal proceeds and costs of removal, is charged to accumulated depreciation.

Goodwill

Goodwill is amortized on a straight-line basis over a maximum of twenty years. The carrying value of goodwill is reviewed annually by analyzing the financial performance of the related investment or by assessing its fair market value.

Revenue

Operating revenues from the sale of services are recognized when services are performed. Equipment sales are recognized at the point of sale.

Inventories

Materials, supplies and inventories are recorded at the lower of cost and net realizable value. Cost is determined using an average-cost basis.

Defined Benefit Pension Plan

Effective January 1, 2000, the Corporation prospectively applied the new accounting recommendations for employee future benefits. When the change in accounting policy occurred, a transitional asset was determined. The transitional asset is being amortized over the average remaining service period of active employees expected to receive benefits.

The cost of benefits is determined using the accrued benefit method prorated on service and management's best estimate of actuarial assumptions. The excess of the net actuarial gain (loss) over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service life of active employees. The discount rate used to determine the accrued benefit obligation is determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and the amount of expected benefits payments.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rates. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. All exchange gains and losses on long-term monetary items are included in other assets and amortized on a straight-line basis over the remaining life of the related assets and liabilities.

Financial instruments

Gains and losses on forward contracts and cross currency swaps used to manage exposure to foreign exchange rates are recognized on the same basis as the gains and losses on the hedged item. Gains and losses related to hedges of anticipated transactions are recognized in earnings or recorded as adjustments of carrying values when the hedged transaction occurs. Any premiums or discounts with respect to financial instrument contracts are deferred and amortized to earnings over the contract period.

› Notes to Consolidated Financial Statements – December 31, 2000

Note 3 – Acquisitions

Businesses acquired

Businesses acquired are accounted for under the purchase method and the results of operations have been included in consolidated earnings from the respective acquisition dates.

On July 6, 2000, the Corporation acquired, through Hospitality Network Canada Inc. and Esterhazy Holding, Inc., a 96.5% interest in Telerent of Canada, Inc. (Telerent). Subsequent to July 6, 2000, the ownership was restructured such that the net assets were transferred to Hospitality Network Canada Partnership (HNCP), in which the Corporation has a 96.5% interest. The company acquired now operates under the name Hospitality Network and is a significant provider of television and telephone rental services to hospitals in Canada.

On July 31, 2000, all of the outstanding shares of Holdfast Holding, Inc. were purchased by Grenfell Holding, Inc., a wholly owned subsidiary of SecurTek Monitoring Solutions Inc. (SecurTek). Subsequent to the acquisition, Holdfast Holding, Inc. was amalgamated with Grenfell Holding, Inc. The business acquired provides retail and wholesale security monitoring services in Manitoba and Alberta, and operates as Metropol™ Emergency Response Centre (MERC).

During the year, the Corporation purchased net assets of a business whose primary activity is publishing and advertising in the agricultural sector. Also, additional investment in Hospitality Network Canada Inc. was made increasing the Corporation's ownership from 90% to 96.4%. Total consideration for these net assets and shares acquired was \$1.3 million.

The total consideration, the fair value of the Corporation's portion of the identifiable net assets acquired and the resulting goodwill is as follows (thousands of dollars):

	Telerent	MERC	Other	Total
Cash consideration	\$ 17,806	\$ 7,819	\$ 1,320	\$ 26,945
Total assets	6,923	8,778	1,377	17,078
Total liabilities	1,497	959	735	3,191
Net assets acquired	\$ 5,426	\$ 7,819	\$ 642	\$ 13,887
Goodwill	\$ 12,380	\$ –	\$ 678	\$ 13,058

In the prior year, SecurTek acquired for \$2.6 million all of the common shares of two corporations that provided security monitoring services. Also, in 1999 the Corporation acquired the remaining 40% interest in IQ & A Partnership.

Investments in significantly influenced companies: equity method

On April 20, 2000, SaskTel Investments Inc. purchased 781,836 common shares (or a 29.9% interest) in Craig Wireless International Inc. (Craig Wireless) for total consideration of \$7.0 million. Craig Wireless is a wireless cable and Internet provider with operations in Manitoba, British Columbia, and Palm Springs, California.

During 2000, SaskTel Investments Inc. purchased 79 convertible voting preference shares in Retx.com, Inc. (Retx) and a senior debenture in Retx of US\$100,000 for total consideration of \$11.8 million. The preference shares and debentures are convertible at the option of the Corporation into 49.0% of the voting shares on a fully-diluted basis. The voting rights of the Corporation are as if all conversion rights have been exercised. Retx is a start-up e-business service company providing transaction clearinghouse services for the retail energy industry.

On February 21, 2000, SaskTel Investments Inc. purchased 857,143 Class A common shares (or a 22.6% interest) of Soft Tracks Enterprises Ltd. (Soft Tracks) for total consideration of \$3.0 million. On November 10, 2000, Soft Tracks declared a stock split and as a result Soft Tracks issued to SaskTel two common shares for each previously held Class A common share. On November 22, 2000, Soft Tracks issued 3,076,923 Class X voting convertible preferred shares of which SaskTel Investments Inc. purchased 370,238 of these shares for total consideration of \$2.2 million. Class X preferred shares will be automatically converted on March 1, 2001 into common shares on a one for one basis. The additional shares issued effectively diluted SaskTel Investments Inc.'s ownership in Soft Tracks by 3% down to 19.6% of the voting shares. The effect of the dilution of ownership is considered to be a deemed disposition of 3% of SaskTel Investments Inc.'s interest in Soft Tracks. This deemed disposition resulted in a non-cash gain of \$1.7 million.

Other long-term investments: cost method

On September 1, 2000, SaskTel Investments Inc. acquired 1,223,491 common shares (or a 7.6% interest) in Regional Cablesystems Inc. – see Note 8. Regional Cablesystems Inc. is a leading supplier of premium cable television services across Canada.

› Notes to Consolidated Financial Statements – December 31, 2000

Note 4 – Restructuring and other charges

The Corporation recorded restructuring and other charges of \$10.2 million and \$0.6 million, respectively. The restructuring charges include costs relating to the employee Voluntary Separation Program and adjustments to prior years' Early Retirement Programs. Other charges relate to the write-down of infrastructure assets.

In 1999, restructuring and other charges of \$34.2 million pertained to the costs of the Early Retirement Program offered in 1999, a write-down of equipment and infrastructure assets, and non-recoverable costs to implement local service competition and provide local number portability.

Note 5 – Other items

	2000	1999
	<i>(Thousands of dollars)</i>	
Net share of loss from significantly influenced companies	\$ (2,767)	\$ (4,264)
Interest income	1,482	1,650
Other	2,629	826
Minority interest	29	570
	<u>\$ 1,373</u>	<u>\$ (1,218)</u>

Note 6 – Interest and related costs

	2000	1999
	<i>(Thousands of dollars)</i>	
Interest expense	\$ 42,830	\$ 44,394
Amortization of unrealized net foreign currency losses	1,577	577
Amortization of discount on long-term debt	264	279
	<u>44,671</u>	<u>45,250</u>
Less: Sinking fund earnings	6,607	9,076
Interest on short-term investments	179	145
	<u>\$ 37,885</u>	<u>\$ 36,029</u>

Note 7 – Property, plant and equipment

	2000	1999
	<i>(Thousands of dollars)</i>	
Buildings, plant and equipment	\$ 2,193,652	\$ 2,114,337
Plant under construction	96,813	122,125
Materials and supplies	9,950	11,025
Land	9,090	9,047
	<u>2,309,505</u>	<u>2,256,534</u>
Less: Accumulated depreciation	1,404,945	1,310,520
	<u>\$ 904,560</u>	<u>\$ 946,014</u>

The composite depreciation rate on the average depreciable telecommunications property in service was 7.0% in 2000 (1999 – 7.3%).

As at December 31, 2000, the ratio of accumulated depreciation to depreciable telecommunications property was 64.1% (1999 – 62.0%).

› Notes to Consolidated Financial Statements – December 31, 2000

Note 8 – Investments

	2000	1999
	<i>(Thousands of dollars)</i>	
Significantly influenced companies: equity method		
Retx.com, Inc.	\$ 10,006	\$ –
Craig Wireless International Inc.	6,165	–
Soft Tracks Enterprises Ltd.	5,408	–
Other	38	57
Regional Cable TV (Western) Inc.	–	4,920
Other long-term investments: cost method		
Austar United Communications Limited	43,846	62,710
Regional Cablesystems Inc.	14,682	–
	\$ 80,145	\$ 67,687

On September 1, 2000, the Corporation divested its 29.9% equity position in Regional Cable TV (Western) Inc., a privately held company. The transaction resulted in a \$7.7 million gain on disposition of the Regional Cable TV (Western) Inc. shares. As consideration the Corporation received 1,223,491 common shares in Regional Cablesystems Inc., the parent of Regional Cable TV (Western) Inc.. The fair value of the Regional Cablesystems Inc. share consideration received was \$14.7 million, determined by establishing an average of quoted market prices for the shares over a 15-day period before and after the date of acquisition.

During 2000, the Corporation disposed of 4,109,000 shares in Austar United Communications Limited (Austar) for net proceeds of \$32.5 million resulting in a gain on sale of \$13.7 million. In the prior year, the Corporation recorded a gain of \$39.0 million on the sale of its shares in Saturn Communications Limited and as consideration the Corporation received 13,659,574 common shares in Austar.

In conjunction with the issuance of additional shares of Soft Tracks on November 22, 2000, SaskTel Investments Inc.'s ownership in Soft Tracks was diluted by 3%. This transaction resulted in a deemed disposition of 3% of SaskTel Investments Inc.'s interest in Soft Tracks and a non-cash gain of \$1.7 million.

	2000	1999
	<i>(Thousands of dollars)</i>	
Gain on sale of investments:		
Regional Cable TV (Western) Inc. shares	\$ 7,736	\$ –
Austar shares	13,683	–
Saturn shares	–	39,003
Gain on deemed disposition of Soft Tracks shares	1,655	–
	\$ 23,074	\$ 39,003

Note 9 – Other assets

	2000	1999
	<i>(Thousands of dollars)</i>	
Deferred pension costs	\$ 57,755	\$ 42,149
Unrealized net foreign currency losses on long-term debt	25,648	22,008
Customer accounts	14,478	3,030
Goodwill	13,981	849
Competition implementation costs	7,455	7,818
Unamortized discount on long-term debt	3,658	3,923
Sales-type leases	1,372	2,966
Other	721	300
	\$ 125,068	\$ 83,043

Note 10 – Short-term borrowings

Short-term borrowings are notes payable representing interim financing arrangements under established lines of credit with the Province of Saskatchewan. Outstanding notes payable bear interest at an average rate of 5.63% (1999 – 5.02%).

› Notes to Consolidated Financial Statements – December 31, 2000

Note 11 – Long-term debt

	Years to Maturity	Average Fixed Interest Rate (%)	2000 <i>(Thousands of dollars)</i>	1999 <i>(Thousands of dollars)</i>
Province of Saskatchewan:				
Canadian dollar issues	1 – 5 years	12.46	\$ 57,743 (a)(b)	\$ 125,831
Canadian dollar issues	6 – 10 years	9.99	66,974 (b)	66,974
Canadian dollar issues	29 years	5.38	110,000 (c)	110,000
U.S. dollar issue	20 years	9.38	149,950 (d)	144,330
			384,667	447,135
Other	3 years	–	5,536	5,954
			390,203	453,089
Less: Sinking funds			31,856 (e)	60,086
Total long-term debt			358,347	393,003
Less: Current portion of long-term debt			6,080	5,990
			\$ 352,267	\$ 387,013

- (a) Long-term debt totaling \$20,605,000 contains call provisions whereby the Corporation may call the debt on specific dates as outlined in the terms and conditions.
- (b) Long-term debt totaling \$104,112,000 is subject to redemption at the option of the holder on six months notice as outlined in the terms and conditions.
- (c) Long-term debt totaling \$35,000,000 contains a one-time redemption provision exercisable on March 5, 2006, whereby the investor may redeem the debt. The debenture pays interest at 5% to March 5, 2006 and 5.6% thereafter.
- (d) Represents long-term debt repayable in U.S. funds having a U.S. dollar face value of \$100,000,000 converted to \$115,360,000 Canadian at the time of issue. The recorded amount is based on the foreign exchange rate at December 31, 2000 of 1.4995 (1999 – 1.4433).
- (e) Under conditions attached to a portion of the long-term debt, the Corporation is required to pay annually into sinking funds administered by the Province of Saskatchewan, 1% of the debt outstanding. The sinking funds include investments

denominated in U.S. dollars held in the fund having a U.S. dollar value of \$13,911,994 recorded at \$20,861,036 Canadian dollar equivalent.

Sinking fund installments and long-term debt repayments (net of sinking funds) due over the next five years are as follows:

<i>(Thousands of dollars)</i>	
2001	\$ 6,080
2002	\$ 3,379
2003	\$ 21,099
2004	\$ 31,206
2005	\$ 2,250

Note 12 – Equity advance

As a Saskatchewan Provincial Crown corporation, the Corporation's equity financing has been provided in the form of an equity advance from Crown Investments Corporation of Saskatchewan.

Note 13 – Items not affecting cash from operations

	2000 <i>(Thousands of dollars)</i>	1999 <i>(Thousands of dollars)</i>
Depreciation and amortization	\$ 156,004	\$ 154,276
Gain on sale of investments	(23,074)	(39,003)
Pension income on defined benefit plan	(15,605)	(10,303)
Restructuring and other charges	4,122	34,163
Sinking fund earnings	(3,961)	(5,992)
Net share of loss from significantly influenced companies	2,767	4,264
Premium and foreign exchange adjustments	1,321	1,052
Other	1,714	(3,624)
	\$ 123,288	\$ 134,833

› Notes to Consolidated Financial Statements – December 31, 2000

Note 14 – Financial instruments

Credit risk

The Corporation has a large and diverse customer base that minimizes the concentration of credit risk. In addition, the Corporation does not anticipate non-performance by any counterparties to its derivative financial instruments. The Corporation deals only with those financial institutions whose credit rating is A or better, and monitors the credit risk and credit standing of counterparties on a regular basis. The Corporation manages its exposure so that there is no substantial concentration of credit risk resulting from cross currency swaps and forward contracts.

Currency exposure

The Corporation uses a combination of derivative financial instruments to manage foreign exchange risk exposures. The Corporation does not actively trade derivative financial instruments.

The Corporation entered into a perpetual cross currency swap to exchange Australian dollars for Canadian dollars in order to hedge currency risk inherent in the Australian dollar denominated investment in Austar United Communications Limited. Due to the uncertainty around the holding period of the investment, the swap has no termination date, but has a two year reset to mitigate counterparty credit risk. The principal amount to be received under the swap is \$30,566,809 (1999 – \$62,710,560), and the principal amount owed is A\$31,292,802 (1999 – A\$64,200,000).

The Corporation has also entered into cross currency forwards to exchange Euros for Canadian dollars in order to hedge currency risk inherent in Euro denominated contracts. The forwards will be settled coincident with currency repatriation requirements. The principal amount to be received under the forward contracts is \$1,278,615, and the principal amount owed is Euro 874,000.

Fair value

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities.

At December 31, 2000 and 1999, the carrying value of all financial instruments approximates fair value with the following exceptions (thousands of dollars):

	2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Equity in sinking funds	\$ 31,856	\$ 33,087	\$ 60,086	\$ 60,399
Long-term debt, Province of Saskatchewan	\$ 384,667	\$ 442,931	\$ 447,135	\$ 507,777
Cross currency forwards and swap \$	–	\$ 4,012	\$ –	\$ 1,006

At year-end the quoted market value per share of Austar and Regional Cablesystems Inc. was A\$2.16 and \$11.75 respectively. The current trading price is not always indicative of the final net realizable amount by the Corporation. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgement and future-orientated information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments. Management of the Corporation believes that temporary business and general market factors have created volatility in market share price. The Corporation estimates that the carrying amount of these investments is less than the fair value at year-end.

Note 15 – Segmented information

The Corporation has four reportable segments: SaskTel Wireline, SaskTel Wireless, Saskatchewan Telecommunications International, Inc. (SaskTel International) and DirectWest Publishing Partnership (DirectWest). SaskTel Wireline is the principal supplier of telecommunication products and services such as voice, data, value-add network and IP based applications in the province of Saskatchewan. SaskTel Wireless provides a full range of wireless products and services such as cellular, paging and Fleetnet 800™, as well as wireless data connectivity in Saskatchewan. SaskTel International offers technical solutions internationally including network integration, advanced network management and interactive services as well as global investments. DirectWest provides directory services and interactive services through the Internet.

› Notes to Consolidated Financial Statements – December 31, 2000

Reportable operating segments:

(Thousands of dollars)

	SaskTel Wireline	SaskTel Wireless	SaskTel International	DirectWest	All Other ¹	Total
2000						
Total revenue	\$ 626,576	\$ 133,027	\$ 22,188	\$ 30,734	\$ 31,472	\$ 843,997
Depreciation and amortization	133,074	15,015	147	1,193	6,575	156,004
Income from operations	76,811	21,023	1,364	1,645	18,015	118,858
Other significant non-cash items:						
Gain on sale of investment	—	—	614	—	22,460	23,074
Net share of loss of significantly influenced companies	—	—	—	—	(2,767)	(2,767)
Total assets	970,757	96,507	12,455	13,291	381,017	1,474,027
Equity method investments	—	—	—	—	21,617	21,617
Net capital expenditures	88,315	16,435	16	1,068	1,811	107,645
1999						
Total revenue	\$ 613,154	\$ 126,880	\$ 18,834	\$ 30,739	\$ 25,351	\$ 814,958
Depreciation and amortization	130,127	18,435	110	1,271	4,333	154,276
Income from operations	47,992	6,097	173	1,564	20,854	76,680
Other significant non-cash items:						
Gain on sale of investment	—	—	—	—	39,003	39,003
Net share of loss of significantly influenced companies	—	—	—	—	(4,264)	(4,264)
Total assets	981,220	93,776	15,632	13,142	331,931	1,435,701
Equity method investments	—	—	—	—	2,602	2,602
Net capital expenditures	134,453	15,153	55	2,713	2,959	155,333

¹ The All Other category includes subsidiaries, investments and divisions of the Corporation. A complete list of subsidiaries and investments is provided in Note 2.

Reconciliation to reportable segments:

	2000 (Thousands of dollars)	1999 (Thousands of dollars)
Total revenues for reportable segments	\$ 843,997	\$ 814,958
Elimination of intersegment revenues	66,325	61,080
Consolidated operating revenues	\$ 777,672	\$ 753,878
Total income from operations for reportable segments	\$ 118,858	\$ 76,680
Elimination of intersegment income	8,443	10,914
Consolidated income from operations	\$ 110,415	\$ 65,766
Total assets for reportable segments	\$ 1,474,027	\$ 1,435,701
Elimination of intersegment assets	236,183	216,111
Consolidated total assets	\$ 1,237,844	\$ 1,219,590

Note 15 – Segmented information *continued*

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Corporation accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices.

The reportable segments are the major strategic business units of the Corporation. Each business unit is managed separately because they provide products and services requiring different technology and marketing strategies.

› Notes to Consolidated Financial Statements – December 31, 2000

Note 16 – Pension plans

	2000	1999
	<i>(Thousands of dollars)</i>	
Details of the defined benefit pension plan are as follows:		
Plan assets at fair value	\$ 807,363	\$ 770,679
Accrued benefit obligation	652,308	620,033
Surplus	\$ 155,055	\$ 150,646
Employee contributions	\$ 2,792	\$ 2,975
Employer contributions	\$ –	\$ –
Benefits paid	\$ 36,495	\$ 34,161

The significant actuarial assumptions used to determine the amounts under the defined benefit pension plan are as follows:

	2000	1999
Discount rate	6.60%	7.25%
Expected long-term rate of return on plan assets	7.25%	7.25%
Rate of compensation increase	3.00%	3.00%

Periodic reviews of plan assumptions occur to determine whether the assumptions remain valid. Environmental factors may cause changes to these actuarial assumptions, which may result in an increase in the accrued benefit obligation.

Included in the defined benefit pension plan assets are \$7.6 million (1999 – \$6.7 million) of investments in related parties.

	2000	1999
	<i>(Thousands of dollars)</i>	
Pension expense (income) for the year are as follows:		
Defined contribution pension plan	\$ 9,809	\$ 9,243
Defined benefit pension plan	\$ (15,605)	\$ (10,303)

Note 17 – Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to Crown Investments Corporation of Saskatchewan by virtue of common control by the Government of Saskatchewan, non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan and investee corporations accounted for under the equity method (collectively referred to as “related parties”).

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	2000	1999
	<i>(Thousands of dollars)</i>	
Operating revenues	\$ 60,331	\$ 52,836
Operating expenses	31,237	28,552
Accounts receivable	4,276	3,646
Accounts payable	790	389
Capital expenditures	483	736

In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to (from) related parties and the terms of settlement are described separately in these financial statements and notes thereto.

› Notes to Consolidated Financial Statements – December 31, 2000

Note 18 — Commitments

The future minimum lease payments under the operating leases of the Corporation are as follows:

	<i>(Thousands of dollars)</i>
2001	\$ 22,521
2002	\$ 22,321
2003	\$ 23,375
2004	\$ 20,494
2005	\$ 18,750

The above payments include \$32.7 million for leases with related parties.

Note 19 — Comparatives

1999 figures have been reclassified to conform to the current year's presentation.

› Board of Directors

Tom Kehoe
Chair of the Board



Jim Scharfstein
Vice-Chair



Wendy Dean
Corporate Secretary



Allan Blakeney



Delores Burkart



Donald R. Ching
President and CEO



Richard Gladue



Karen Leir



Donald Lowry



John MacDonald



Alison Renny



Garf Stevenson



Wayne Byers



› SASKTEL COMMITTEES OF THE BOARD

As of December 31, 2000

Audit Committee

- Alison Renny, Chair
- Allan Blakeney
- Delores Burkart
- Tom Kehoe

Corporate Growth Committee

- Tom Kehoe, Chair
- Richard Gladue
- Jim Scharfstein
- Delores Burkart
- Donald Lowry

Governance Committee

- Jim Scharfstein, Chair
- Tom Kehoe
- Garf Stevenson
- Karen Leir

Environment and Human Resources Committee

- Garf Stevenson, Chair
- Allan Blakeney
- Alison Renny
- Karen Leir

Corporate governance encompasses the processes and structures established by the SaskTel Board of Directors to oversee the management of the Corporation.

› Corporate Governance

Role of the Board

The SaskTel Board of Directors function as stewards of the Corporation and have a statutory obligation to manage the affairs and business of the Corporation. The principal duties of the SaskTel Board are to approve the Corporation's long-term strategic plan, operating goals, operating budget, performance indicators and the business plans established to achieve them. The Board is responsible for ensuring that effective risk management systems are implemented, monitoring and evaluating the performance of senior management, adopting processes that provide effective communications, ensuring integrity of internal controls, and developing practices to ensure the Board functions independently of management.

Board Composition

SaskTel Board of Directors is comprised of individuals with diverse abilities and backgrounds, bringing to the Corporation industry experience, strategic leadership, and entrepreneurial and communications skills. All members of the Board are independent from SaskTel management, with the exception of the President and CEO, who is a member of the Board, and two internal directors that are members of the employee union, the Communications, Energy and Paperworks Union of Canada (CEP). Board members are appointed by the Lieutenant Governor in Council.

The Board and Management

The Board of Directors is responsible for overseeing the management of the Corporation; and it fulfills these responsibilities either directly or through Board committees. As well, it delegates responsibilities for day-to-day operations to management of the Corporation. SaskTel management is expected to act within the Board directives and is accountable to the Board for the Corporation's overall performance.

Committees

The Board at SaskTel has established the following committees to assist it in effectively and efficiently carrying out its duties.

Audit Committee

The Audit Committee is responsible for monitoring and reviewing the financial performance and internal controls of the Corporation. The committee acts as a communications link between the Board of Directors and the external auditors, and is also responsible for reviewing the Corporation's risk management processes.

Corporate Growth Committee

The Corporate Growth Committee is an advisory committee to the Board of Directors that monitors and reviews the Corporation's investments, as well as its strategy and growth initiatives.

Governance Committee

The Governance Committee is responsible for reviewing, evaluating, and promoting the adoption of exemplary corporate governance processes. The Committee also undertakes an annual performance evaluation of the President and CEO.

Environment and Human Resources Committee

The Environment and Human Resources Committee monitors the Corporation's management of its human resources, environmental risks, health and safety risks, liabilities, policies, practices and procedures.

Board Orientation and Training

Upon their appointment, new Board members receive a Director's Reference Manual and attend an orientation session delivered by management, which provides information related to governance practices, the industry and SaskTel. In addition, the Crown Investments Corporation delivers ongoing education for Directors to assist them to understand and perform their duties effectively.

As of December 31, 2000

SaskTel Executive Officers

Mike Anderson

Vice President, Marketing

Dan Baldwin

Senior Vice President,
Business Development

Donald R. Ching

President and Chief Executive
Officer

Gord Farmer

President, DirectWest

John Meldrum

Vice President, Corporate Counsel
and Regulatory Affairs

Diana Milenkovic

Senior Vice President, Customer
Services and Mobility

Byron Pointer

Vice President, Human Resources
and Industrial Relations

Garry Simons

President, SaskTel International

Randy Stephanson

Chief Financial Officer

SaskTel Senior Operating Managers

Dale Baron

Controller

Dave Birnie

General Manager, Corporate
Services

Doug Burnett

General Manager, Human
Resources/Industrial Relations

Ken Keesey

General Manager, Business Sales
and Solutions

Tom Laird

General Manager, Consumer and
Enterprise Solutions

Dave Lozinski

General Manager, Customer Services
— Planning, Provisioning
& Implementation

Candice Molnar

General Manager, Regulatory
Affairs

Garry Reichert

General Manager, Customer
Services – Districts

Al Rogers

General Manager, SecurTek

Stacey Sandison

General Manager, Customer and
Marketing Services — Mobility

Daryl Silzer

General Manager, Strategic
Business Development

Shelly Smith

General Manager,
QUANTUMLYNX.com

Curt Smith

General Manager, Information
Technology Management (ITM)

Dennis Terry

General Manager, Mobility
(Business Planning Technology)

Kym Wittal

General Manager, Technology
Performance and Operations

Al Yam

General Manager, Technology
Development and Engineering

› Corporate Directory

SaskTel International – Senior Operating Managers

Scott Fedec

Vice President, Finance and Human
Resources

Mike Le Cren

Vice President, Marketing, Sales and
Business Operations

Don Prokopetz

Vice President, Software Solutions

Mike Ryan

Vice President, Marketing and
Operations, Africa

Garry Simons

President, SaskTel International

Barry Ziegler

Executive Vice President,
Investments

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Prince Albert

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Prince Albert, SK S6V 1B3
(306) 953-6758

Saskatoon

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Saskatoon, SK S7K 1W8
(306) 931-5930

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View this annual report online at

www.sasktel.com/2000_annualreport

For more information about SaskTel, our initiatives and operations, or to obtain additional copies of the 2000 SaskTel Annual Report, please contact SaskTel Corporate Affairs at 1-877-337-2445 or visit our website at www.sasktel.com.

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