Third Quarter Report

Saskatchewan Telecommunications Holding Corporation

Third Quarter Report 2023/24

For the Period Ended December 31, 2023

Saskatchewan Telecommunications Holding Corporation (the "Corporation", or "SaskTel") is a Saskatchewan Crown corporation. The Corporation's wholly-owned subsidiaries (Saskatchewan Telecommunications and Saskatchewan Telecommunications International Inc.) offer a wide array of products, services, and solutions to customers in Saskatchewan and around the world. The Corporation has a workforce of approximately 3,200 full-time equivalent employees (FTE's), making the Corporation one of Saskatchewan's largest employers.

Our vision is "*Be the best at connecting people to their world"* and our mission is *"To provide an exceptional customer experience."*

Consolidated Highlights

FINANCIAL

Net Income	Revenue	Return on Equity	Capital Expenditures
$72.6M	$1,026.5M	7.5%	$281.8M
(14.5%) vs. Q3 2022/23	+2.6% vs. Q3 2022/23	(1.2) percentage points vs. Q3 2022/23	+5.8% vs. Q3 2022/23

CUSTOMER CONNECTIONS

Broadband Internet	maxTV Service	Wireless	Fibre	Wireline Voice
+2.1%	+1.5%	+1.6%	+6.1%	(5.8%)
Subscriber Growth yr/yr	Subscriber Growth yr/yr	Subscriber Growth yr/yr	Subscriber Growth yr/yr	Subscriber Decline yr/yr

	Broadband Internet	maxTV Service	Wireless	Fibre	Wireline Voice
December 2023	**897,179**	**112,029**	**667,653**	**188,086**	**245,696**
December 2022	878,424	110,350	656,858	177,208	260,885
March 2023	881,281	111,200	654,674	179,656	257,396

Consolidated Net Income

Millions of dollars	Three months ended December 31, 2023	2022	Change	% Change	Nine months ended December 31, 2023	2022	Change	% Change
Revenue	**$361.8**	$354.5	$7.3	2.1	**$1,026.5**	$1,000.1	$26.4	2.6
Other income (loss)	**(0.5)**	(1.4)	0.9	64.3	**(1.1)**	0.2	(1.3)	*nmf*[1]
Total revenue and other income (loss)	**361.3**	353.1	8.2	2.3	**1,025.4**	1,000.3	25.1	2.5
Expenses	**325.3**	314.4	10.9	3.5	**923.9**	892.7	31.2	3.5
Results from operating activities	**36.0**	38.7	(2.7)	(7.0)	**101.5**	107.6	(6.1)	(5.7)
Net finance expense	**10.2**	8.0	2.2	27.5	**28.9**	22.7	6.2	27.3
Net income	**$25.8**	$30.7	$(4.9)	(16.0)	**$72.6**	$84.9	$(12.3)	(14.5)

1. nmf - no meaningful figure

Net income for the nine months ended December 31, 2023, was $72.6 million, a decrease of $12.3 million (14.5%) from the same period in 2022/23.

Revenue for the nine months ended December 31, 2023, was $1,026.5 million, an increase of $26.4 million (2.6%) from the same period in 2022/23 primarily due to continued growth in wireless network services and equipment; customer premise equipment sales; and fixed broadband and data services. The increase was partially offset by reduced wireline communication services and other services.

Expenses for the nine months ended December 31, 2023, were $923.9 million, an increase of $31.2 million (3.5%) from the same period in 2022/23. This increase was primarily due to increased goods and services purchased.

Net finance expense for the nine months ended December 31, 2023, was $28.9 million, an increase of $6.2 million (27.3%) over the same period in 2022/23. The increase was driven by increased interest expense resulting from higher net debt and interest rates, partially offset by increased interest income on net defined benefit pension plan surplus.

Management's Discussion and Analysis

February 8, 2024

Forward-Looking Information

The following discussion focuses on the consolidated financial position and results of the operations of SaskTel for the nine-month period ended December 31, 2023. This discussion and analysis should be read in conjunction with SaskTel's audited financial statements for the fiscal year ended March 31, 2023. Some sections of this discussion include forward-looking statements about SaskTel's corporate direction and financial objectives. A statement is forward-looking when it uses information known today to make an assertion about the future. Since these forward-looking statements reflect expectations and intentions at the time of writing, actual results could differ materially from those anticipated if known or unknown risks and uncertainties impact the business, or if estimates or assumptions turn out to be inaccurate. As a result, SaskTel cannot guarantee that any of the predictions forecasted by forward-looking statements will occur. As well, forward-looking statements do not take into consideration the effect of transactions or non-recurring items announced or occurring subsequently. Therefore, SaskTel disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. For a full discussion of risk factors, please refer to Management's Discussion and Analysis in SaskTel's 2022/23 Annual Report.

These interim statements have been prepared in accordance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting.*

These interim statements have been approved by the SaskTel Board of Directors on February 8, 2024.

Results of Operations

Revenue

Millions of dollars	**2023**	2022	Change	% Change
Three months ended December 31,	**$361.8**	$354.5	$7.3	2.1
Nine months ended December 31,	**1,026.5**	1,000.1	26.4	2.6

Revenue for the third quarter of 2023/24 was $361.8 million, a $7.3 million (2.1%) increase from the same period in 2022/23.

Year-to-date revenue was $1,026.5 million, a $26.4 million (2.6%) increase year-over-year. The increase was due to growth in wireless network services and equipment from increased wholesale revenues and a larger wireless retail subscriber base with a higher proportion of converged customers. The increase was augmented by growth in fixed broadband and data services comprised of continued customer demand for higher bandwidth services and increased fibre accesses as well as increased non-recurring customer premise equipment sales. The increases were partially offset by lower wireline communication services due to the ongoing erosion of legacy voice revenues and reduced other services due to decreased work on the joint use project.

Results of operations, continued

Expenses

Millions of dollars	2023	2022	Change	% Change
Three months ended December 31,	**$325.3**	$314.4	$10.9	3.5
Nine months ended December 31,	**923.9**	892.7	31.2	3.5

Expenses for the third quarter of 2023/24 were $325.3 million, a $10.9 million (3.5%) increase from the same period in 2022/23.

Year-to-date expenses were $923.9 million, a $31.2 million (3.5%) increase from the same period in 2022/23. Goods and services purchased increased $34.0 million mainly to support revenue growth. Salaries and wages increased $4.1 million due to economic increases and salary progression. The increase was partially offset by a decrease in depreciation and amortization of $7.1 million due to useful life changes.

Net finance expense

Millions of dollars	2023	2022	Change	% Change
Three months ended December 31,	**$10.2**	$8.0	$2.2	27.5
Nine months ended December 31,	**28.9**	22.7	6.2	27.3

Net finance expense for the third quarter of 2023/24 was $10.2 million, a $2.2 million (27.5%) increase from the same period in 2022/23.

Year-to-date net finance expense was $28.9 million, a $6.2 million (27.3%) increase from the same period in 2022/23. Finance expenses increased by $7.3 million due to higher net debt and higher interest rates partially offset by increased finance income of $1.1 million primarily due to higher interest income on the net defined benefit pension plan surplus.

Financial Condition

Changes in the Corporation's assets, liabilities, and equity from March 31, 2023 to December 31, 2023, are discussed below:

Millions of dollars	Increase (decrease)	Explanation
Assets		
Cash	**$(18.3)**	See Interim Condensed Consolidated Statement of Cash Flows
Trade and other receivables	**70.0**	Timing of non-customer related receivables
Inventories	**13.5**	Timing of receipt of devices and device sales
Prepaid expenses and other assets	**(1.1)**	Timing of contracts received and amortization of existing contracts
Contract assets	**9.9**	New contracts offset by amortization of existing contracts
Contract costs	**(0.6)**	No significant change
Property, plant and equipment	**109.8**	Capital spending primarily on wireless and fibre projects partially offset by depreciation, retirements, and disposals
Right-of-use assets	**(3.3)**	Depreciation, retirements and adjustments of leased assets
Intangible assets	**(6.4)**	Amortization, retirements and adjustments
Sinking funds	**22.0**	Installments and earnings
Other assets	**10.9**	Spectrum auction purchase
Liabilities and Province's Equity		
Bank indebtedness	**0.5**	See Interim Condensed Consolidated Statement of Cash Flows
Trade and other payables	**32.9**	Timing of payments for operations and capital spending
Accrued interest	**(6.1)**	Repayment of notes payable from issuance of long-term debt
Dividend payable	**1.2**	Payment of dividends and increased dividends declared
Notes payable	**(51.1)**	Repayment of notes payable from issuance of long-term debt
Contract liabilities	**(5.5)**	Timing of revenue recognition related to contract liabilities
Lease liabilities	**(3.1)**	Net repayment of lease liabilities
Other liabilities	**(0.2)**	No significant change
Deferred income – government funding	**(0.8)**	No significant change
Long-term debt	**196.2**	New debt issuances
Employee benefit obligations	**(0.7)**	No significant change
Accumulated other comprehensive income	**(0.7)**	See Interim Condensed Consolidated Statement of Income and Other Comprehensive Loss
Retained earnings	**43.8**	Total comprehensive income less dividends declared

Cash Flows

Cash provided by operating activities

Millions of dollars	2023	2022	Change	% Change
Nine months ended December 31,	**$149.9**	$204.8	$(54.9)	(26.8)

Cash provided by operating activities for the nine months ended December 31, 2023, was $149.9 million, a decrease of $54.9 million (26.8%) compared to the same period in 2022/23, primarily due to increased working capital requirements.

Cash used in investing activities

Millions of dollars	2023	2022	Change	% Change
Nine months ended December 31,	**$264.2**	$255.4	$8.8	3.4

Cash used in investing activities for the nine months ended December 31, 2023, was $264.2 million, an increase of $8.8 million (3.4%) from the same period in 2022/23 due to timing of cash payments related to capital expenditures.

Cash provided by financing activities

Millions of dollars	2023	2022	Change	% Change
Nine months ended December 31,	**$95.4**	$27.8	$67.6	*nmf*[1]

1. nmf - no meaningful figure

Cash provided by financing activities for the nine months ended December 31, 2023 was $95.4 million, an increase of $67.6 million from the same period in 2022/23 primarily due to increased proceeds from issuances of long-term debt.

Capital Resource Ratio

Debt ratio

	December 31, 2023	March 31, 2023	Change
Debt ratio	**55.9%**	54.5%	1.4

The debt ratio increased to 55.9%, an increase of 1.4 percentage points from March 31, 2023. The overall level of net debt increased by $142.0 million during the period due to new debt issuances partially offset by repayment of notes payable.

Equity increased $43.1 million for the nine months ending December 31, 2023 after recording a net income of $72.6 million, other comprehensive loss of $0.7 million, and declared dividends of $28.7 million.

The debt ratio is calculated as net debt divided by end-of-period capitalization. Net debt is defined as total debt, including total long-term debt, notes payable, and bank indebtedness, excluding lease liabilities, less sinking funds, and cash. Capitalization includes net debt, equity advances, accumulated other comprehensive income and retained earnings at the period end.

Capital Expenditures

Millions of dollars	2023	2022	Change	% Change
Property, plant and equipment	**$263.9**	$246.5	$17.4	7.1
Intangible assets	**17.9**	19.8	(1.9)	(9.6)
Nine months ended December 31,	**$281.8**	$266.3	$15.5	5.8

Total capital expenditures for the nine months ended December 31, 2023, were $281.8 million, an increase of $15.5 million (5.8%) from the same period in 2022/23.

Spending on property, plant and equipment for the nine months ended December 31, 2023, was $263.9 million, an increase of $17.4 million (7.1%) from the same period in 2022/23. The increase was due to 5G wireless network build and ongoing investment in our fibre infrastructure offset by decreased spending on network customer premise equipment due to a large refresh of customer premise equipment in the prior year. Spending on intangible assets was $17.9 million, a decrease of $1.9 million (9.6%) from the same period in 2022/23, primarily due to decreased spending on software.

For the remainder of 2023/24, capital expenditures will focus on further investment in the core Saskatchewan network including 5G network build, Fibre-to-the-X (FTTx), wireless network enhancements and basic network demand. This core network investment will ensure increased internet access speeds; enhanced maxTV service; increased wireless bandwidth, resulting in increased roaming capacity and data speeds; as well as continued network growth and refurbishment. Expenditures will also enhance customer interface and expand service offerings to improve our customer's experience today and create opportunities to provide additional enhancements and capabilities in the future.

2023/24 Outlook

The 2022/23 SaskTel Annual Report identified a consolidated net income target for the fiscal year ended March 31, 2024 of $95.7 million. At this time SaskTel believes it will meet its target.

Risk Assessment

The 2022/23 Annual Report discussed the key strategic and core business risks and uncertainties facing SaskTel that may inhibit SaskTel from achieving the strategic goals and targets outlined in its Strategic Plan – exceptional customer experience, leading the market in broadband services, simplifying, automating, and transforming the business, empowering a high-performance workforce, and driving innovation, financial sustainability, and growth. Key Strategic Risks are risks associated with the company's business environment including the following areas: competitiveness, regulatory, and alliances and partnerships. Core Business Risks are risks associated with the execution of SaskTel's business functions including the following areas: networks, systems, physical infrastructure, and cybersecurity.

A strong governance process for enterprise risk management is in place. This is an iterative process designed to identify, evaluate, mitigate and control, report, monitor, and assess key corporate risks. As of December 31, 2023, SaskTel's key risk profile remains unchanged from that disclosed in its annual report dated March 31, 2023.

Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statement of Income and Other Comprehensive Loss

(Unaudited)

		Three months ended December 31,		Nine months ended December 31,	
Thousands of dollars	Note	**2023**	2022	**2023**	2022
Revenue	3	**$361,769**	$354,464	**$1,026,511**	$1,000,090
Other income (loss)		**(539)**	(1,402)	**(1,161)**	186
Total revenue and other income (loss)		**361,230**	353,062	**1,025,350**	1,000,276
Expenses					
Goods and services purchased		**178,367**	166,958	**479,394**	445,429
Salaries, wages and benefits		**91,205**	87,161	**269,784**	261,978
Internal labour capitalized		**(7,826)**	(6,588)	**(21,958)**	(18,273)
Depreciation - property, plant & equipment	5	**46,787**	50,526	**143,121**	149,613
Depreciation - right-of-use assets		**1,701**	1,269	**4,803**	4,544
Amortization	6	**8,043**	8,226	**24,216**	25,105
Saskatchewan taxes		**6,981**	6,871	**24,498**	24,306
Total expenses		**325,258**	314,423	**923,858**	892,702
Results from operating activities		**35,972**	38,639	**101,492**	107,574
Net finance expense	4	**10,152**	7,937	**28,937**	22,666
Net income		**25,820**	30,702	**72,555**	84,908
Other comprehensive loss					
Items that will be reclassified to net income					
Unrealized gains (losses) on sinking funds		**10,642**	(594)	**3,100**	(4,686)
Items that will never be reclassified to net income					
Net actuarial losses on employee benefit obligations	8	**(1,265)**	(855)	**(3,796)**	(2,563)
Total other comprehensive income (loss)		**9,377**	(1,449)	**(696)**	(7,249)
Total comprehensive income		**$35,197**	$29,253	**$71,859**	$77,659

All net income and total comprehensive income are attributable to Crown Investments Corporation of Saskatchewan (CIC).

See Accompanying Notes

Condensed Consolidated Interim Statement of Changes in Equity

(Unaudited)

Thousands of dollars	Equity advances	Accumulated other comprehensive income	Retained earnings	Total equity
Balance at April 1, 2023	**$237,000**	**$92,423**	**$921,742**	**$1,251,165**
Net income	**-**	**-**	**72,555**	**72,555**
Other comprehensive loss	**-**	**(696)**	**-**	**(696)**
Total comprehensive income (loss)	**-**	**(696)**	**72,555**	**71,859**
Dividends declared	**-**	**-**	**(28,718)**	**(28,718)**
Balance at December 31, 2023	**$237,000**	**$91,727**	**$965,579**	**$1,294,306**
Balance at April 1, 2022	$237,000	$97,414	$859,310	$1,193,724
Net income	-	-	84,908	84,908
Other comprehensive loss	-	(7,249)	-	(7,249)
Total comprehensive income (loss)	-	(7,249)	84,908	77,659
Dividends declared	-	-	(31,958)	(31,958)
Balance at December 31, 2022	$237,000	$90,165	$912,260	$1,239,425

See Accompanying Notes

Condensed Consolidated Interim Statement of Financial Position

As at Thousands of dollars	Note	(Unaudited) December 31, 2023	March 31, 2023
Assets			
Current assets			
Cash		$ -	$18,347
Trade and other receivables		210,524	140,556
Inventories		47,647	34,106
Prepaid expenses		50,110	51,181
Contract assets		78,458	72,727
Contract costs		21,622	19,991
Current portion of sinking funds		4,735	-
Total current assets		413,096	336,908
Contract assets		32,706	28,559
Contract costs		50,916	53,173
Property, plant and equipment	5	2,317,520	2,207,754
Right-of-use assets		35,843	39,135
Intangible assets	6	387,848	394,243
Sinking funds		130,945	113,667
Other assets		22,142	11,207
Total assets		$3,391,016	$3,184,646
Liabilities and Province's equity			
Current liabilities			
Bank indebtedness		$465	$ -
Trade and other payables		176,620	143,766
Accrued interest		7,881	13,969
Dividend payable		10,818	9,663
Notes payable		145,592	196,672
Contract liabilities		54,143	59,535
Lease liabilities		5,751	6,338
Current portion of long-term debt		50,015	-
Other liabilities		3,101	3,324
Total current liabilities		454,386	433,267
Contract liabilities		112	188
Deferred income – government funding		14,025	14,859
Long-term debt	7	1,582,172	1,435,948
Lease liabilities		31,807	34,341
Employee benefit obligations	8	8,481	9,200
Provisions		5,727	5,678
Total liabilities		2,096,710	1,933,481
Province of Saskatchewan's equity			
Equity advance		237,000	237,000
Accumulated other comprehensive income		91,727	92,423
Retained earnings		965,579	921,742
Total equity		1,294,306	1,251,165
Total liabilities and equity		$3,391,016	$3,184,646

See Accompanying Notes

Condensed Consolidated Interim Statement of Cash Flows

		(Unaudited)	
		Nine months ended December 31,	
Thousands of dollars	Note	2023	2022
Operating activities			
Net income		$72,555	$84,908
Adjustments to reconcile net income to cash provided			
by operating activities:			
Depreciation and amortization		172,140	179,262
Net finance expense	4	28,937	22,666
Interest paid		(50,709)	(41,804)
Interest received		4,735	5,154
Amortization of government funding		(1,081)	(1,733)
Other		7,822	8,230
Net change in non-cash working capital	10	(84,468)	(51,889)
Cash flows provided by operating activities		149,931	204,794
Investing activities			
Property, plant and equipment expenditures		(253,765)	(236,075)
Intangible assets expenditures - finite life		(18,270)	(20,522)
Net proceeds on disposal of assets		7,615	906
Government funding		261	257
Cash flows used in investing activities		(264,159)	(255,434)
Financing activities			
Proceeds from long-term debt	7	196,520	38,816
Net proceeds (repayment) of notes payable		(51,080)	56,556
Payment of lease liabilities		(4,632)	(4,651)
Sinking fund instalments		(17,828)	(16,328)
Dividends paid		(27,564)	(46,558)
Cash flows provided by financing activities		95,416	27,835
Decrease in cash		(18,812)	(22,805)
Cash, beginning of period		18,347	20,628
Bank indebtedness, end of period		$(465)	$(2,177)

See Accompanying Notes

Note 1 – General information

Saskatchewan Telecommunications Holding Corporation (the "Corporation") is a corporation located in Canada. The address of the Corporation's registered office is 2121 Saskatchewan Drive, Regina, SK, S4P 3Y2. 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.

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.

One of the Corporation's subsidiaries, Saskatchewan Telecommunications is regulated by the Canadian Radio-television and Telecommunications Commission ("CRTC") under the *Telecommunications Act* (Canada).

The Corporation markets and supplies a range of wireless, voice, entertainment, internet, data, equipment, marketing, security, software products, and consulting services.

Effective April 1, 2023, one of the Corporation's subsidiaries, SecurTek Monitoring Solutions Inc. ("SecurTek") was dissolved with its total net assets transferred to Saskatchewan Telecommunications at the dissolution date. SecurTek continues to operate as a division within Saskatchewan Telecommunications.

Note 2 – Basis of presentation

Statement of compliance
These unaudited condensed consolidated financial statements (the interim financial statements) have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting.* These interim financial statements do not include all of the disclosures included in the Corporation's annual consolidated financial statements. The accounting policies used in the preparation of these interim financial statements conform with those used in the Corporation's most recent annual consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the Corporation's most recent annual consolidated financial statements.

These interim financial statements were approved by the Corporation's Board of Directors on February 8, 2024.

Functional and presentation currency
These interim financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

Basis of measurement
The interim financial statements have been prepared on the historical cost basis except for the following:

- Fair value through other comprehensive income financial instruments and fair value through profit and loss financial instruments are measured at fair value, and
- Employee benefit obligations are recognized as the fair value of the plan assets less the present value of the accrued benefit obligation.

Note 2 – Basis of presentation, continued

Use of estimates and judgments
The preparation of the interim financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. These estimates and assumptions are based on several factors, including historical experience, current events, and actions that the Corporation may undertake in the future, and other assumptions that the Corporation believes are reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the interim financial statements includes the following:
- Revenue recognition,
- Use of the straight-line basis of depreciation and amortization,
- Classification of intangible assets – indefinite life, and
- Classification of financial instruments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year includes the following:
- Revenue recognition,
- Useful lives and depreciation rates for property, plant and equipment and right-of-use assets,
- Useful lives and amortization rates for intangible assets, and
- The measurement of employee benefit obligations.

Changes in accounting estimates

Change in useful life

The Corporation has performed a supplemental depreciation study over wireless assets, and as a result an extension of useful lives has been implemented for specific network assets.

The impact of the change in useful life on net income was as follows:

	Fiscal year ending March 31,				
Millions of dollars	**2024**	**2025**	**2026**	**2027**	**2028**
Depreciation expense - increase (decrease)	$ (6,623)	$ (13,716)	$ (2,393)	$ 2,261	$ 4,225

Application of new IFRS Standards, and amendments to standards and interpretations

The Corporation adopted the following accounting amendments that were effective for our interim and annual consolidated financial statements commencing April 1, 2023. The adoption of these standards have not had a material impact on our financial results.
- IFRS 17, *Insurance Contracts*, a replacement of IFRS 4, *Insurance Contracts*, that aims to provide consistency in the application of accounting for insurance contracts.
- Amendments to IAS 8, *Accounting Policies - Changes in Accounting Estimates and Errors*, clarifying the definition of "accounting policies" and "accounting estimates".

Note 3 – Revenue from contracts with customers

	Three months ended December 31,		Nine months ended December 31,	
Thousands of dollars	**2023**	2022	**2023**	2022
Revenue				
Wireless network services and equipment	**$187,205**	$177,189	**$504,151**	$480,729
Fixed broadband and data services	**76,810**	74,939	**230,131**	223,179
Wireline communication services	**38,095**	41,406	**117,112**	125,939
maxTV services	**24,594**	23,814	**71,868**	72,208
Customer premise equipment	**7,738**	7,291	**25,573**	13,784
Security monitoring services	**8,417**	8,673	**25,055**	26,009
Marketing services	**5,011**	5,576	**15,387**	17,264
IT solutions services	**4,475**	4,180	**13,119**	11,685
International software and consulting services	**5,630**	4,395	**12,687**	11,482
Other services	**3,794**	7,001	**11,428**	17,811
Total revenue	**$361,769**	$354,464	**$1,026,511**	$1,000,090

Note 4 – Net finance expense

	Three months ended December 31,		Nine months ended December 31,	
Thousands of dollars	**2023**	2022	**2023**	2022
Net finance expense				
Interest on long-term debt	**$13,636**	$11,425	**$39,153**	$33,981
Interest on short-term debt	**1,347**	1,886	**4,333**	3,218
Interest capitalized	**(1,965)**	(2,309)	**(5,910)**	(6,865)
Interest on lease liabilities	**290**	216	**856**	749
Accretion expense	**37**	50	**146**	146
Finance expense	**13,345**	11,268	**38,578**	31,229
Sinking fund earnings	**(108)**	(720)	**(1,086)**	(836)
Net interest on defined benefit liability	**(1,273)**	(858)	**(3,820)**	(2,573)
Interest income	**(1,812)**	(1,753)	**(4,735)**	(5,154)
Finance income	**(3,193)**	(3,331)	**(9,641)**	(8,563)
Total net finance expense	**$10,152**	$7,937	**$28,937**	$22,666
Interest capitalization rate			**3.41%**	3.06%

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)
As at and for the nine months ended December 31, 2023

Note 5 – Property, plant and equipment

Thousands of dollars	Plant and equipment	Buildings and improvements	Office furniture and equipment	Plant under construction	Land	Total
Cost						
Balance at April 1, 2023	**$3,983,514**	**$667,120**	**$132,702**	**$153,178**	**$41,799**	**$4,978,313**
Additions	**45,573**	**-**	**10,352**	**207,861**	**156**	**263,942**
Transfers	**199,471**	**34,548**	**2,460**	**(236,479)**	**-**	**-**
Retirements, disposals and adjustments	**(102,245)**	**(9,285)**	**(18,407)**	**-**	**-**	**(129,937)**
Balance at December 31, 2023	**$4,126,313**	**$692,383**	**$127,107**	**$124,560**	**$41,955**	**$5,112,318**
Balance at April 1, 2022	$3,924,905	$652,415	$130,688	$141,940	$41,717	$4,891,665
Additions	90,828	-	21,056	214,276	82	326,242
Transfers	181,618	18,437	2,983	(203,038)	-	-
Retirements, disposals and adjustments	(213,837)	(3,732)	(22,025)	-	-	(239,594)
Balance at March 31, 2023	$3,983,514	$667,120	$132,702	$153,178	$41,799	$4,978,313
Accumulated depreciation						
Balance at April 1, 2023	**$2,461,594**	**$242,568**	**$66,397**	**$ -**	**$ -**	**$2,770,559**
Depreciation	**111,643**	**13,599**	**17,879**	**-**	**-**	**143,121**
Retirements, disposals and adjustments	**(97,337)**	**(3,762)**	**(17,783)**	**-**	**-**	**(118,882)**
Balance at December 31, 2023	**$2,475,900**	**$252,405**	**$66,493**	**$ -**	**$ -**	**$2,794,798**
Balance at April 1, 2022	$2,516,266	$226,013	$61,554	$ -	$ -	$2,803,833
Depreciation	154,730	18,629	24,614	-	-	197,973
Retirements, disposals and adjustments	(209,402)	(2,074)	(19,771)	-	-	(231,247)
Balance at March 31, 2023	$2,461,594	$242,568	$66,397	$ -	$ -	$2,770,559
Carrying amounts						
At April 1, 2023	**$1,521,920**	**$424,552**	**$66,305**	**$153,178**	**$41,799**	**$2,207,754**
At December 31, 2023	**$1,650,413**	**$439,978**	**$60,614**	**$124,560**	**$41,955**	**$2,317,520**
At April 1, 2022	$1,408,639	$426,402	$69,134	$141,940	$41,717	$2,087,832
At March 31, 2023	$1,521,920	$424,552	$66,305	$153,178	$41,799	$2,207,754

Note 6 – Intangible assets

Thousands of dollars	Software	Spectrum licences	Under development	Total
Cost				
Balance at April 1, 2023	**$263,718**	**$271,149**	**$23,434**	**$558,301**
Acquisitions	**4,696**	**2,412**	**7,941**	**15,049**
Acquisitions – internally developed	**2,110**	**-**	**703**	**2,813**
Transfers	**5,622**	**-**	**(5,622)**	**-**
Retirements, disposals and adjustments	**(8,406)**	**-**	**-**	**(8,406)**
Balance at December 31, 2023	**$267,740**	**$273,561**	**$26,456**	**$567,757**
Balance at April 1, 2022	$299,194	$267,280	$9,383	$575,857
Acquisitions	3,572	3,869	15,220	22,661
Acquisitions – internally developed	4,521	-	904	5,425
Transfers	2,073	-	(2,073)	-
Retirements, disposals and adjustments	(45,642)	-	-	(45,642)
Balance at March 31, 2023	$263,718	$271,149	$23,434	$558,301
Accumulated amortization				
Balance at April 1, 2023	**$164,058**	**$ -**	**$ -**	**$164,058**
Amortization	**24,216**	**-**	**-**	**24,216**
Retirements, disposals and adjustments	**(8,365)**	**-**	**-**	**(8,365)**
Balance at December 31, 2023	**$179,909**	**$ -**	**$ -**	**$179,909**
Balance at April 1, 2022	$175,978	$ -	$ -	$175,978
Amortization	33,286	-	-	33,286
Retirements, disposals and adjustments	(45,206)	-	-	(45,206)
Balance at March 31, 2023	$164,058	$ -	$ -	$164,058
Carrying amounts				
At April 1, 2023	**$99,660**	**$271,149**	**$23,434**	**$394,243**
At December 31, 2023	**$87,831**	**$273,561**	**$26,456**	**$387,848**
At April 1, 2022	$123,216	$267,280	$9,383	$399,879
At March 31, 2023	$99,660	$271,149	$23,434	$394,243

Note 7 – Long-term debt

On May 18, 2023, the Corporation issued $50.0 million of long-term debt at a discount of $0.4 million through the Saskatchewan Ministry of Finance. The debt issue has a coupon rate of 3.90%, an effective interest rate of 4.01%, and matures on June 2, 2033.

On June 22, 2023, the Corporation issued $100.0 million of long-term debt at a discount of $1.3 million through the Saskatchewan Ministry of Finance. The debt issue has a coupon rate of 4.20%, an effective interest rate of 4.275% and matures on December 2, 2054.

On December 4, 2023, the Corporation issued $50.0 million of long-term debt at a discount of $1.8 million through the Saskatchewan Ministry of Finance. The debt issue has a coupon rate of 3.90%, an effective interest rate of 4.354% and matures on June 2, 2033.

Note 8 – Employee benefit obligations

Other comprehensive loss results, in part, from changes to actuarial assumptions related to the assets and liabilities of the Corporation's employee benefit plan, specifically the discount rate used to calculate the liabilities of the employee defined benefit plan and changes in the fair value of the employee benefit defined plan assets resulting from differences in the actual versus estimated return on these assets. The discount rates used are as follows:

	2023/2024	2022/2023
June 30	4.90%	4.70%
September 30	5.70%	4.80%
December 31	4.60%	4.90%
March 31	n/a	4.80%

In addition to the other comprehensive loss impact detailed below, these assumption changes, combined with pension income and benefits paid for the period, have resulted in a net decrease in the employee benefit obligations for the period which has been partially offset by the impact of the asset ceiling limit.

	Nine months ended December 31,	
Thousands of dollars	2023	2022
Actuarial gain on accrued benefit obligation	$1,440	$87,270
Actuarial gain (loss) on plan assets	2,968	(62,479)
Effect of asset ceiling limit	(8,204)	(27,354)
Net actuarial losses on employee benefit obligations	$(3,796)	$(2,563)

Note 9 – Capital management

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

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

The Corporation closely monitors its debt level utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. The Corporation uses this measure in assessing the extent of financial leverage and in turn, its financial flexibility. Too high a ratio relative to target indicates an excessive debt burden that may impair the Corporation's ability to withstand downturns in revenue and still meet fixed payment obligations. The ratio is calculated as net debt divided by capitalization at the end of the period.

The Corporation reviews the debt ratio targets of all its subsidiaries on an annual basis to ensure consistency with industry standards. This review includes subsidiary corporations' plans for capital expenditures. The target debt ratios for subsidiaries are approved by their Boards. The Corporation uses targeted debt ratios to compile a weighted average debt to equity ratio for the consolidated entity. The budgeted ratio for 2023/24 is 55.9%.

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

Note 9 – Capital management, continued

On April 6, 2023 the Corporation's debt limit was increased to $2.9 billion.

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

The Corporation is not subject to any externally imposed capital requirements.

The debt ratio is as follows:

As at Thousands of dollars	**December 31, 2023**	March 31, 2023
Long-term debt	**$1,632,187**	$1,435,948
Notes payable	**145,592**	196,672
Bank indebtedness	**465**	-
Less: Sinking funds	**135,680**	113,667
Cash	**-**	18,347
Net debt	**1,642,564**	1,500,606
Province of Saskatchewan's equity (a)	**1,294,306**	1,251,165
Capitalization	**$2,936,870**	$2,751,771
Debt ratio	**55.9%**	54.5%

a) Equity includes equity advances, accumulated other comprehensive income, and retained earnings at the end of the period.

Note 10 – Additional financial information

Non-cash working capital changes

Thousands of dollars	Nine months ended December 31, **2023**	2022
Net change in non-cash working capital balances related to operations		
Trade and other receivables	**$(69,968)**	$(21,993)
Inventories	**(13,541)**	(15,583)
Prepaid expenses	**1,071**	4,545
Contract assets	**(9,878)**	1,388
Contract costs	**626**	1,289
Trade and other payables	**12,895**	(16,662)
Contract liabilities	**(5,468)**	(4,186)
Other liabilities	**(233)**	(1,602)
Other	**28**	915
Total net change in non-cash working capital balances related to operations	**$(84,468)**	$(51,889)

Note 11 – Financial risk management

The Corporation is exposed to fluctuations in foreign exchange rates and interest rates, as well as credit and liquidity risk. The Corporation utilizes a number of financial instruments to manage these exposures. The Corporation mitigates the risk associated with these financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board. The Corporation does not actively trade financial instruments.

Market risks

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates, and equity prices. These risks have not changed significantly from the prior period.

Fair value

Fair values are 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. 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 judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

As at			**December 31, 2023**		March 31, 2023	
Thousands of dollars	Classification (a)	Fair value hierarchy	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets						
Cash	Amortized cost	Level 1	**$ -**	**$ -**	$18,347	$18,347
Trade and other receivables	Amortized cost	Level 2	**210,524**	**210,524**	140,556	140,556
Sinking funds	FVOCI	Level 2	**130,945**	**130,945**	113,667	113,667
Financial liabilities						
Bank indebtedness	Amortized cost	Level 2	**465**	**465**	-	-
Trade and other payables	Amortized cost	Level 2	**176,620**	**176,620**	143,766	143,766
Accrued interest	Amortized cost	Level 2	**7,881**	**7,881**	13,969	13,969
Notes payable	Amortized cost	Level 2	**145,592**	**145,592**	196,672	196,672
Long-term debt	Amortized cost	Level 2	**1,632,187**	**1,484,529**	1,435,948	1,254,146
Derivative financial instruments						
Foreign exchange derivative asset	FVTPL	Level 2	**-**	**-**	348	348

(a) Classification details are:

- FVOCI – fair value through other comprehensive income,
- FVTPL – fair value through profit or loss.

Fair value hierarchy

When the carrying amount of a financial instrument is the most reasonable approximation of fair value, reference to market quotations and estimation techniques is not required. The carrying values of cash, trade and other receivables, bank indebtedness, trade and other payables, accrued interest, and notes payable approximate their fair values due to the short-term maturity of these financial instruments.

Note 11 – Financial risk management, continued

For financial instruments, fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. Accordingly, the determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 – Where quoted prices are readily available from an active market.
Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates.
Level 3 – Where valuation is based on unobservable inputs.

There were no items measured at fair value using Level 3 inputs during 2022/23 or to date in 2023/24 and no items transferred between levels in 2022/23 or to date in 2023/24.

Investments carried at fair value through OCI
Investments carried at fair value through OCI are categorized as Level 2 in the hierarchy consist of sinking funds. The fair value of sinking funds is determined by the Saskatchewan Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect secondary pricing for these securities.

Long-term debt
The fair value of long-term debt is determined by the present value of future cash flows, discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

Derivative financial instruments carried at fair value through profit or loss
The fair value of derivative financial instruments that are used to manage foreign currency exposure risks are estimated based upon quoted market prices in active markets for the same or similar financial instruments or current rates offered to the Corporation for financial instruments of similar maturity, as well as discounted future cash flows determined using current rates for similar financial instruments of similar maturities subject to similar risks (such fair value estimates being largely based on the Canadian dollar versus U.S. dollar forward exchange rate as at the statement of financial position dates).

Credit risk
Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Corporation does not have material concentrations of credit risk. Current credit risk relates to trade and other receivables, device financing receivables, contract assets, sinking funds, interest receivable and counterparties to financial derivatives. The maximum exposure to credit risk is represented by the carrying amounts reported in the statement of financial position. There is minimal credit risk related to non-customer related financial instruments and derivative instruments at December 31, 2023, due to the investment-grade assets held within the sinking funds and investment-grade counterparties to derivative instruments.

Note 11 – Financial risk management, continued

Credit risk related to customer related financial instruments is primarily reflected in the allowance for doubtful accounts.

Allowance for doubtful accounts

	Three months ended		Nine months ended	
Periods ended December 31, Thousands of dollars	**2023**	2022	**2023**	2022
Balance, beginning of period	**$3,186**	$3,512	**$3,621**	$3,663
Less: accounts written off	**(1,240)**	(2,136)	**(6,643)**	(5,180)
Recoveries	**383**	85	**496**	980
Provisions for losses	**861**	1,055	**5,716**	3,053
Balance, end of period	**$3,190**	$2,516	**$3,190**	$2,516