

Saskatchewan Transportation Company

First Quarter Report 2006

2006 1st Quarter Corporate Reporting

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Management Discussion and Analysis

In this MD&A, STC Management will discuss the results of its First Quarter operations in 2006, in context of both the corresponding quarter in the previous year and, in general terms, in relation to the anticipated financial position of the company over the full year.

The MD&A will also review any emerging corporate issues which arose in the quarter and will have a lasting impact on the corporation's fiscal position.

Passenger Service:

In the first quarter of 2006, STC coaches traveled 780,000 miles, serving 275 Saskatchewan communities.

Revenues for passenger operations in the quarter were \$1,818,000, up from the \$1,714,000 in revenues realized by the company in the first quarter of 2006. Expenses associated with operating passenger services were \$2,281,000, up slightly from the 2005 figure of \$2,100,000.

Operating losses for passenger services in the quarter were \$463,000, compared to a loss of \$386,000 in the first quarter of 2005.

Actual revenues from passenger service were up \$181,000 from the projected revenues for the quarter.

Express Service:

Through its network of 191 agents in the province and interconnecting arrangements with other carriers, STC hauls freight throughout the province and connects to destinations across North America.

In the first quarter of 2006, revenues from express operations were \$1,342,000, up slightly from the revenues of \$1,332,000 realized in the first quarter of 2005. Express operating expenses during the quarter amounted to \$916,000, down slightly from the \$919,000 in expenses for the same period the previous year.

Overall, profits for freight operations in the first quarter amounted to \$426,000, compared to a profit of \$413,000 for the first quarter of 2005. Revenues for freight operations are slightly below expectations for the quarter.

STC's express service tends to be somewhat seasonal, due to a lack of activity in the farming industry at this time of year. It is anticipated express revenues will increase in the remaining quarters.

Maintenance Services:

STC operates a garage in Saskatoon for major bus servicing, and one in Regina for minor bus servicing. In addition, the company uses its facilities to do maintenance work for other bus companies, as well as to store vehicles for other companies.

The expenses for maintenance services in 2006 amounted to \$760,000, as compared to \$732,000 for the same three-month period in 2005.

Financial Services:

Overall, STC's revenues for the first quarter of 2006 amounted to \$3,453,000, compared to \$3,293,000 for the first quarter of 2005, while expenses were \$5,055,000, compared to \$4,803,000 the previous year. The company's loss, before grants, for the quarter was \$1,602,000, compared to \$1,510,000 for the first quarter of 2005.

STC has been approved for an operating grant of \$5.0 million from its holding company, the Crown Investments Corporation of Saskatchewan. Current projections for the year, based on the first quarter, indicate that the company will require that amount of grant funding. The projected operating loss for the year is \$4.9 million, compared to \$4.0 million in 2005.

In the first quarter, STC drew down \$1 million of the grant funds available from CIC. STC had no outstanding loans or indebtedness in the quarter.

At the end of the quarter, the Government's equity in STC stood at \$20,280,000, compared to \$18,690,000 at the same time last year.

Other Issues:

During the quarter, work advanced on the final planning stages for construction of a new Regina passenger and freight depot and head office, approved in late 2005.

Ridership for the quarter stood at 70,035, compared to 67,635 in the first quarter of 2005, a year when STC saw its first increase in ridership in 16 years. The increase in ridership has continued into the first quarter of the year.

Saskatchewan Transportation Company
Statement of Financial Position
(unaudited - thousands of dollars)

	As at March 31, 2006	As at December 31, 2005
Assets		
Current		
Cash	\$ 431	\$ 1,157
Accounts receivable	1,217	1,686
Inventories	369	353
Prepaid expenses	381	104
	<hr/> 2,398	<hr/> 3,300
Property, plant and equipment	17,882	17,888
	<hr/> \$ 20,280	<hr/> \$ 21,188

Liabilities and Province's Equity

Current		
Accounts payable and accrued liabilities	\$ 1,878	\$ 2,383
Deferred capital grant	8,870	8,993
Province of Saskatchewan's Equity		
Retained earnings	9,532	9,812
	<hr/> \$ 20,280	<hr/> \$ 21,188

Saskatchewan Transportation Company
Statement of Operations and Retained Earnings
(unaudited - thousands of dollars)

	Three months ended March 31	
	2006	2005
Revenue		
Express services	\$ 1,342	\$ 1,332
Passenger services	1,818	1,714
Other	291	250
Loss on disposal of property, plant and equipment	2	(3)
	<u>3,453</u>	<u>3,293</u>
Expenses		
Operating	3,957	3,751
Administration	650	601
Amortization	448	451
	<u>5,055</u>	<u>4,803</u>
Loss before the following	(1,602)	(1,510)
Operating Grant	1,000	900
Capital Grant	322	275
Net income (loss)	<u>(280)</u>	<u>(335)</u>
Retained earnings, beginning of period	9,812	8,348
Retained earnings, end of period	<u>\$ 9,532</u>	<u>\$ 8,013</u>

Saskatchewan Transportation Company
Statement of Cash Flows
(unaudited - thousands of dollars)

	Three months ended March 31	
	2006	2005
Operating Activities		
Net income (loss)	\$ (280)	\$ (335)
Items not involving cash:		
Amortization	448	451
Loss on disposal of property, plant and equipment	(2)	3
Recognition of capital grant	(322)	(275)
Net change in non-cash working capital	(329)	(147)
Cash provided by (used in) operating activities	(485)	(303)
Investing Activities		
Additions to property, plant and equipment	(178)	(464)
Proceeds on disposal of property, plant and equipment	6	2
Deferred start up costs	(269)	(6)
Cash used in investing activities	(441)	(468)
Financing Activities		
Capital grant received	200	300
Cash used in financing activities	200	300
Increase (Decrease) in cash	(726)	(471)
Cash, beginning of period	1,157	1,155
Cash, end of period	\$ 431	\$ 684

Saskatchewan Transportation Company
Notes to Financial Statements
(unaudited)

1. Basis of Presentation and Significant Accounting Policies

The interim financial statements of the Saskatchewan Transportation Company (the Company) have been prepared by management in accordance with Canadian generally accepted accounting principles. Certain information and disclosures normally required to be included in the notes to annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the financial statements and notes thereto in the Company's annual report for the year ended December 31, 2005.

These financial statements have been prepared following the same accounting principles as the financial statements for the fiscal year ended December 31, 2005.

2. Seasonal Nature of Express Revenues

Historically, STC's express service tends to be seasonal with the first quarter being slightly lower and the fourth quarter being slightly higher than the second and third quarters. This is due to the absence of significant agricultural activity in the first quarter and the increase in holiday shipping in the fourth quarter of the year.