



# SASKATCHEWAN WHEAT POOL

## 2ND QUARTER REPORT – JANUARY 31, 2001

### TO OUR SHAREHOLDERS

#### SUMMARY OF RESULTS

For the three months ended January 31, 2001, Saskatchewan Wheat Pool recorded earnings before interest, securitization, depreciation, amortization, and taxes (EBITDA), prior to provisions, of \$22.0 million, a 44% improvement over the \$15.3 million recorded in the second quarter last year. For the six-month period, EBITDA, prior to provisions, were \$51.7 million, more than double the \$22.8 million earned in the same period last year. The Pool's cost control initiatives have resulted in reductions in selling and administrative expenses of \$4.8 million for the second quarter 2001 and \$6.9 million year-to-date.

Depreciation and amortization were similar for the quarter, but increased 6% to \$37.9 million on a year-to-date basis, reflecting the first full year of depreciation for the Pool's new Project Horizon facilities and pork production units.

Earnings before interest, securitization, and taxes (EBIT) prior to provisions were \$2.9 million for the second quarter, a \$6.8 million improvement over the loss of \$3.9 million in the second quarter last year. Year-to-date, EBIT prior to provisions were \$13.7 million, \$26.7 million higher than the same period last year.

Interest and securitization costs increased \$6.7 million to \$18.8 million in the second quarter compared to the same period in fiscal 2000. Year-to-date costs increased \$12.5 million, as a result of increased borrowing costs, and less interest being capitalized due to the completion of the Pool's large capital projects.

For the second quarter of fiscal 2001, the Pool reported a consolidated loss prior to provisions of \$11.2 million or \$0.30 per share, compared to fiscal 2000's second quarter loss of \$10.7 million or \$0.28 per share. The six-month loss prior to provisions was \$17.9 million or \$0.48 per share, an improvement of \$7.2 million over the \$25.1 million loss (\$0.67 per share) of last year.

The Pool reported a second quarter consolidated net loss of \$18.8 million or \$0.50 per share. Included in this total is a pre-tax provision of \$13.3 million, or \$0.20 per share after tax. The net loss for the same period last year was \$14.8 million or \$0.39 per share. The consolidated net loss for the six-month period of fiscal 2001 was \$25.5 million or \$0.68 per share, compared to a net loss of \$29.3 million or \$0.78 per share last year.

#### Provisions for Consolidation and Restructuring

In November 2000, the Pool announced a further consolidation of its grain handling and agri-products distribution locations to coincide with previously planned grain elevator consolidation initiatives. An additional 55 specialty and conventional elevators were slated for closure, resulting in the elimination of 250 positions and restructuring costs of \$13.3 million.

In total, over 350 facilities were scheduled to close as a result of these consolidation efforts, the majority of which were completed by January 31, 2001. The Pool is on track to finish the remaining consolidation effort by July 31, 2001. The following table outlines the status of the facilities closure plan:

FACILITIES AT:	JAN. 31,	JULY 31,
	2001	2001
	Actual	Projected
Concrete Elevators	38	38
Traditional Elevators	19	17
Specialty Plants (Includes 8 Organic & Seed Processing Plants)	24	24
<b>TOTAL GRAIN HANDLING FACILITIES</b>	<b>81</b>	<b>79</b>
Local Service Outlets Located at Grain Handling Facilities	46	46
Local Service Outlets	126	63
Farm Service Centers	16	16
<b>TOTAL AGRI-PRODUCTS FACILITIES</b>	<b>188</b>	<b>125</b>

### Grain Handling and Marketing

Sales for this segment for the second quarter of fiscal 2001 were \$535 million bringing the year-to-date total to \$1,038 million, down 2% from \$1,055 million for the same period last year.

The Pool's total tonnes managed (formerly referred to as primary handling volumes) for the first two quarters of fiscal 2001 were up slightly to 4.26 million tonnes. Year-to-date, approximately 56% of the tonnes managed by the Pool were for the account of the Canadian Wheat Board (the "CWB"), down from 63% for the same period last year. The year-over-year decrease is attributable to increased competition for CWB grain in the Saskatchewan market. The Pool shipped 25.0% of the CWB's total shipments for the first two quarters of fiscal 2001 compared to 27.4% for the same period last year.

Volumes at the Pool's wholly owned port terminals showed an overall increase of 10.4%, with a 22.4% increase in volumes through Vancouver. Thunder Bay terminal volumes were down 3.7% year-over-year. The increase at Vancouver resulted from higher shipments of CWB grain and other commodities through that facility. Volume increases through the Pool's wholly owned port terminals generate higher profitability than those of its port terminal affiliates.

Shipments through the Pool's affiliate Pacific Elevators at Vancouver were similar to last year while volumes through its port terminal at Manzanillo, Mexico increased year-over-year. However, lower volumes through affiliate Prince Rupert Grain offset this improvement. The CWB commenced shipments of grain through Prince Rupert in November 2000, which was later than the previous year. Shipments through this port in fiscal 2001 are expected to be lower than last year, which bodes well for volumes through the Pool's port terminal in Vancouver for the remainder of fiscal 2001.

#### Six-month Volumes to January 31: (thousands of tonnes)

	Increase (Decrease)	2000/2001	1999/2000
<b>Total Tonnes Managed</b>	<b>1.0%</b>	<b>4,263</b>	<b>4,221</b>
<b>Port Terminal Operations</b>			
Vancouver	22.4%	1,291	1,055
Thunder Bay	(3.7%)	857	890
<b>Wholly Owned Terminals</b>	<b>10.4%</b>	<b>2,148</b>	<b>1,945</b>
Pool's Share of Affiliates	(32.5%)	674	998
<b>Total Port Terminal Operations</b>	<b>(4.1%)</b>	<b>2,822</b>	<b>2,943</b>

For the second quarter of fiscal 2001, EBITDA for the Grain Handling and Marketing segment were \$10.0 million compared to \$10.7 million for the second quarter last year. Year-to-date EBITDA of \$22.2 million was a \$9.5 million increase over \$12.7 million for the same period last year. This improvement was largely a result of operational efficiencies from the Pool's multi-car loading capabilities, and lower operating costs achieved from the elevator consolidation program.

- The positive impacts of the Pool's multi-car loading capabilities have continued to exceed expectations during the second quarter. Year-to-date, the Pool received multi-car rail freight incentives on 77% of its total shipments compared to 61% for the same period last year. In addition, 56% of total shipments have been shipped in 50 or 100 car trains, compared to 35% for the same period last year. A major focus for the remainder of the year will be to continue to increase the proportion of total shipments of 50 or 100 car trains.
- The Pool is on track to realize anticipated cost savings of \$21 million from its consolidation plan in fiscal 2001. A sizable reduction in costs has been realized to date, however, most of the cost savings for this fiscal year are expected to be realized over the next two quarters.

In the primary system, over capacity in the industry has created an increasingly competitive environment. Total tonnes managed for fiscal 2001 are currently expected to be similar to last year assuming the CWB makes the necessary changes to their tendering program to improve the efficiency of the grain handling and transportation system. Changes are expected to heighten competitive pressures as companies compete for market share. However, a satisfactory resolution to the CWB grain handling and transportation issues will allow the Pool to improve capacity utilization. The ability to increase rail car allocation through the tendering process and forward book rail cars for CWB grain will improve logistical efficiency and enable the Pool to maximize capacity through both Vancouver and Thunder Bay port terminals.

For port terminals, while Canadian exports are expected to decline year-over-year, total volumes from the Pool's wholly owned port terminals are anticipated to be higher. However, this increase is expected to be more than offset by projected decreases in the Pool's share of volumes through its affiliates.

Subsequent to the end of the quarter, the Pool announced a strategic alliance with Toepfer International, an international agricultural marketing organization with more than 40 offices worldwide. The Pool will supply specific agricultural commodities to Toepfer's customers around the world, securing demand for western Canadian production and expanding international marketing opportunities for the Pool. This new deal is consistent with the Company's long-term objective for market growth through destination marketing.

### **Agri-products**

Sales for this segment for the second quarter of fiscal 2001 were \$76 million, a 29% improvement over \$59 million generated in the second quarter of fiscal 2000. Year-to-date sales reached \$165 million, 42% higher than the \$116 million for the same period last year. Fertilizer sales increased in the fall of 2000, driven by favorable weather conditions and producers' concerns over anticipated price increases.

For the second quarter of fiscal 2001, EBITDA for the Agri-products segment were \$3.2 million, compared to \$0.6 million for the second quarter of fiscal 2000. Year-to-date EBITDA of \$6.2 million is a significant improvement over \$0.1 million for the same period last year. This improvement is mainly attributable to improved results from higher fertilizer sales volumes for Western Co-operative Fertilizers Limited (WCFL). EBITDA for the Pool's retail operations are down slightly year-over-year due to competitive pressure on margins.

For fiscal 2001, efficiencies in the agri-products warehousing and distribution chain are expected through a change in distribution logistics, which was initiated by the Pool in February 2001. In addition, WCFL implemented a restructuring of its marketing and administrative functions on February 1, 2001 to streamline operations, reduce operating costs, and enhance customer service.

Annual results for this segment are largely dependent on agricultural conditions in the spring and as a result, sales in the third quarter are typically slow. The busiest season for the agri-products business is the fourth quarter. Current industry estimates predict a substantial decline in canola acreage in western Canada this spring. A shift from canola production to cereals and pulse crops is expected to impact the sales of seed and crop protection products as canola production requires higher use of crop inputs. In addition, higher fertilizer prices may have an adverse impact on sales volumes and margins.

### **Agri-food Processing**

Sales for this segment for the second quarter of fiscal 2001 were \$154 million, compared to \$163 million for the second quarter last year. Six-month sales were \$307 million, 2% lower than the sales of \$314 million generated in the same period in the prior year. CanAmera's sales were down year-over-year due to declining commodity prices, and CSP Foods' sales were down year-over-year reflecting a shift in sales mix. Sales for Prairie Malt were also down for the six-months. These sales declines were partially offset by improved sales volume for Can-Oat, largely attributable to its improved competitive environment following the exit of a major competitor. CSP Foods and CanAmera together accounted for approximately 86% of total segment sales.

Despite lower sales, EBITDA for the Agri-food Processing segment in the second quarter were similar to fiscal 2000 at \$6.4 million. Projected poor results from Premium Brands hampered improvements for the second quarter. EBITDA for the six-month period were \$18.5 million, 21% higher than EBITDA of \$15.3 million for the same period of fiscal 2000.

CanAmera continued to be the segment's largest contributor, and has achieved significant improvements to soybean crushing volumes and margins year-over-year. CSP Foods' improvements are due to cost reductions resulting from the consolidation of its warehousing and manufacturing functions, and a focused approach in the market place. Can-Oat's improvements are due to increased volumes and margins as it has capitalized on its reputation as the industry leader in product quality and service. Results for Prairie Malt were down from the prior year due to lower sales and margins.

CanAmera has a strong market position due to its ability to further refine 100% of oil crushed into value added products. The Pool expects CanAmera's results to be stronger for fiscal 2001 but market conditions are beginning to weaken which may impact results beyond that period. A decline in canola crushing volumes and margins and an increase in world oil stocks are expected. There is also the potential that soybean seed supplies will come under pressure in mid-2001.

Fiscal 2001 remains positive for both CSP Foods and Can-Oat. CSP Foods will continue to focus on growth in higher margin product lines, strengthening supply agreements, and building brand loyalty. Can-Oat is expected to benefit from operational improvements, its reputation as an industry leader, and its strengthened competitive position as a result of industry consolidation.

Premium Brands is expected to benefit from the sale of its pork processing plant in Red Deer, Alberta, which has been under utilized as a result of the shortage in supply of hogs in western Canada. Premium Brands announced the sale on February 27, 2001 to Olymel, a Quebec based co-operative. The transaction is expected to close in March 2001, and proceeds of approximately \$90 million will be used by Premium Brands to reduce its debt and strengthen existing businesses. The Pool will retain its supply arrangement with Olymel for hogs raised through Heartland Pork.

Increased energy costs are expected to continue to impact production costs for all the businesses in the Agri-food Processing segment.

### **Livestock Production and Marketing**

Sales for this segment for the second quarter of fiscal 2001 were \$72 million, 14% ahead of the \$63 million in the second quarter of fiscal 2000. The segment generated sales of \$127 million for the six-month period, 21% above sales from the previous year's period. Heartland Pork, now at full capacity, continues to lead the improvements marketing almost 166,000 finished hogs in the first six-months. This is more than double the volume marketed in the same period last year. Heartland Livestock also showed improvement, with cattle handling volumes of 526,000 up 4% year-over-year. Increased sales for Heartland Feeds were achieved as a result of improved sales to Heartland Pork production facilities as well as increase sales into cattle feedlots. The drought in southern Alberta last fall put cattle into feedlots sooner than expected and winter weather conditions led to strong demand for feed.

For the second quarter of fiscal 2001, EBITDA for the Livestock Production and Marketing segment were \$6.2 million compared to \$3.6 million for the second quarter last year. EBITDA were \$11.4 million year-to-date nearly double \$5.8 million for the same period last year. Heartland Pork and Heartland Feeds showed strong improvement. A slight decrease in EBITDA from Heartland Livestock was due to increased operating costs which more than offset the increased handling volumes.

Prospects for the Livestock Production and Marketing segment remain positive. Strong demand for beef in both domestic and export markets is expected and cattle handling volumes for fiscal 2001 are expected to be similar to last year. The cowherd is in the early stages of a four-year rebuilding phase, which is expected to be positive for future market growth.

The Pool expects the volume of finished hogs marketed in fiscal 2001 to approach its annual production capacity, and expectations for the market price for hogs have remained consistent over the past two quarters. In addition, a risk management program is in place to reduce vulnerability to commodity and hog market price fluctuations.

The outlook for Heartland Feeds is also positive due to the large volume of business committed through Heartland Pork and competitive strengths in production and distribution.

### **Publishing and Other**

Sales for this segment for the second quarter of fiscal 2001 were \$3 million, slightly ahead of last year. Year-to-date sales of \$7 million are unchanged from the prior year. EBITDA of \$0.6 million for the second quarter and \$1.1 million year-to-date are similar year-over-year. Prospects for this segment remain positive.

### **Liquidity and Capital Resources**

Cash flow from operations was \$1.5 million for the second quarter of fiscal 2001 compared to \$12.5 million for the second quarter last year. For the first six-months of fiscal 2001, cash flow from operations was \$12.2 million compared to \$14.2 million for the same period last year. Cash flow from operations for the second quarter of fiscal 2001 would have been similar to last year and would have been \$17.9 million higher for the six-month period, excluding the impact of tax recoveries recorded in fiscal 2000. The six-month increase resulted from significant improvements in EBITDA, which were partially offset by increased interest and securitization costs.

Consolidated capital expenditures for the second quarter of fiscal 2001 were \$8 million. Year-to-date capital expenditures were \$17 million, over 40% of which was attributed to the capital expenditure programs of affiliates. This compares to consolidated capital expenditures of \$27 million in the second quarter of fiscal 2000 and \$80 million in the first two quarters of fiscal 2000.

Working capital at January 31, 2001 was \$51 million, a decrease from \$69 million at January 31, 2000 and from \$78 million at July 31, 2000. The current ratio was 1.10 on January 31, 2001, down slightly from 1.12 at January 31, 2000. The current ratio is down from 1.17 at July 31, 2000.

Consolidated accounts receivable are presented net of amounts sold under trade accounts receivable securitization programs which were \$13 million at January 31, 2001, \$30 million at January 31, 2000 and \$223 million at July 31, 2000.

Accounts receivable sold under this program reach a seasonal peak at July 31<sup>st</sup>. The Pool's accounts receivable securitization program expired on November 3, 2000, and the company is currently negotiating a similar program that it expects to have in place by the end of the third quarter. Excluding the impact of securitization programs, the \$45 million decrease in accounts receivable year-over-year is due to a large sale of CWB grain to Iraq in the second quarter last year.

Inventory at January 31, 2001 was \$41 million lower than the prior year. The reduction was largely a result of the Company's efforts to better manage agri-products inventory levels. The increase in inventory since July 31, 2000 is largely related to seasonal lows at July 31<sup>st</sup> following the busy spring agri-products season.

Bank operating loans increased by approximately \$102 million over July 31, 2000 due to seasonal increases in agri-products inventory combined with reductions in member demand loans and accounts payable. Over half of the \$62 million reduction in accounts payable from July 31, 2000 is a result of deferred cash purchase tickets for grain, the vast majority of which are presented for payment in January. The reduction in accounts payable of \$39 million at January 31, 2001, compared to January 31, 2000 is mainly due to lower agri-products inventory levels and completion of the Pool's capital expenditure program.

Total long-term debt at January 31, 2001 was \$536 million, including the current portion of \$22 million, down from \$560 million at January 31, 2000 and \$550 million at July 31, 2000. Total long-term debt includes draws on long-term committed bank facilities of \$159 million, Medium Term Notes of \$300 million, members' term loans of \$10 million, and the Pool's proportionate interest in long-term debt of subsidiaries and joint ventures of \$67 million. Proceeds of \$11 million from the sale of XCAN Grain Pool Ltd. were used to reduce long-term debt on January 31, 2001.

The Pool's total debt to equity ratio at January 31, 2001 was 61:39, compared to 59:41 at January 31, 2000. This ratio has moved from 58:42 at July 31, 2000, mainly due to increases in short-term borrowing requirements. The Pool expects this ratio to improve during fiscal 2001 as it focuses on debt reduction.

The Pool has unsecured, demand operating lines of credit of \$250 million, and long-term committed bank facilities of \$340 million, for a total of \$590 million. At January 31, 2001, total loans against these facilities were \$392 million, \$233 million classified as short-term borrowings and \$159 million classified as long-term debt. As at January 31, 2001, the Pool was not in compliance with certain covenants required by its banking arrangements and received waivers of these covenant defaults for the period.

On February 8, 2001 the Dominion Bond Rating Service (DBRS) announced a downgrade of the Pool's Medium Term Notes from a BB to a BB (low) and placed the debt under review pending completion of the Pool's bank financing agreement.

On February 28, 2001 the Pool announced that it had entered into a term sheet with its banks for new credit facilities totaling \$558 million. These new facilities will replace the separate credit facilities in place with each of these lenders. Implementation is subject to the satisfaction of various conditions which include finalizing a definitive credit agreement and

completion of a new securitization program to fund CWB grain inventories and agri-products receivables. The classification of debt under the new facilities is not expected to have an adverse impact on working capital. The costs associated with drawings on these new facilities will increase in comparison to the costs of the previous credit facilities. The deal is expected to close before the end of the current quarter.

### **Forward Looking Information**

Certain statements in this quarterly report are forward looking and reflect the Pool's expectations regarding future results of operations, financial condition, and achievements. Such forward looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, and achievements of the Pool to be materially different from any future results, performance, and achievements expressed or implied by those forward looking statements. These factors are discussed in greater detail in the Pool's most recent Annual Information Form and the Management's Discussion and Analysis set forth in the Pool's most recent Annual Report.



Marvin Wiens  
President and  
Chairman of the Board



Mayo Schmidt  
Chief Executive Officer

March 13, 2001

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**CONSOLIDATED BALANCE SHEETS**

	As at January 31		As at July 31
	2001	2000	2000
	(in thousands)		(in thousands)
	(unaudited)	(unaudited)	(audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Short-term investments	\$ -	\$ 766	\$ -
Accounts receivable	237,569	282,161	239,384
Inventories	295,055	336,102	274,159
Prepaid expenses	9,230	12,412	16,770
	541,854	631,441	530,313
<b>Investments</b>	70,946	87,801	76,342
<b>Capital Assets</b>	827,069	911,684	851,398
<b>Other Long-Term Assets</b>	137,748	136,920	129,358
	\$ 1,577,617	\$ 1,767,846	\$ 1,587,411
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Bank indebtedness	\$ 13,184	\$ 19,604	\$ 9,198
Short-term borrowings	235,712	235,367	134,000
Members' demand loans	37,155	68,635	48,834
Accounts payable	183,010	221,659	244,536
Long-term debt due within one year	21,794	17,586	16,178
	490,855	562,851	452,746
<b>Long-Term Debt</b>	514,693	542,878	534,269
<b>Other Long-Term Liabilities</b>	45,759	48,238	52,044
<b>Non-Controlling Interest</b>	5,641	4,912	4,740
	1,056,948	1,158,879	1,043,799
<b>Shareholders' Equity</b>			
Share capital	457,703	457,722	457,712
Retained earnings	62,966	151,245	85,900
	520,669	608,967	543,612
	\$ 1,577,617	\$ 1,767,846	\$ 1,587,411

On behalf of the Board of Directors


Marvin D. Wiens  
Director

Gary L. Wellbrock  
Director

**CONSOLIDATED STATEMENTS OF EARNINGS  
AND RETAINED EARNINGS**

	Three months ended January 31		Six months ended January 31	
	2000/01	1999/00	2000/01	1999/00
	(in thousands)		(in thousands)	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Sales and Other Operating Revenues</b>	\$ 827,085	\$ 887,987	\$ 1,618,886	\$ 1,570,220
<b>Cost of Sales and Expenses</b>				
Cost of sales and operating expenses	776,543	840,458	1,513,565	1,488,935
Selling and administrative expenses	25,988	30,809	50,669	57,585
Depreciation and amortization	19,168	19,126	37,943	35,802
Provisions for consolidation and restructuring	13,323	6,892	13,323	6,892
	835,022	897,285	1,615,500	1,589,214
<b>Earnings (Loss) Before the Undernoted</b>	(7,937)	(9,298)	3,386	(18,994)
Equity earnings (loss) of significantly influenced companies	(2,490)	(1,410)	(3,039)	(1,055)
Non-controlling interest	(37)	(40)	45	162
<b>Earnings (Loss) Before Interest and Taxes</b>	(10,464)	(10,748)	392	(19,887)
Interest expense	16,584	10,779	32,293	20,181
Securitization expense	2,201	1,320	6,460	6,095
<b>Earnings (Loss) Before Corporate Taxes</b>	(29,249)	(22,847)	(38,361)	(46,163)
Recovery of corporate taxes	10,482	8,022	12,854	16,882
<b>Net Earnings (Loss)</b>	(18,767)	(14,825)	(25,507)	(29,281)
<b>Retained Earnings, Beginning of Period</b>	81,733	166,070	85,900	180,526
Income tax restatement	-	-	2,573	-
<b>Retained Earnings, End of Period</b>	\$ 62,966	\$ 151,245	\$ 62,966	\$ 151,245
<b>Earnings (Loss) Per Share</b>	\$ (0.50)	\$ (0.39)	\$ (0.68)	\$ (0.78)

**SALES AND OPERATING REVENUE BY SEGMENT**

	Three months ended January 31		Six months ended January 31	
	2000/01	1999/00	2000/01	1999/00
	(in thousands)		(in thousands)	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>SALES</b>				
Grain Handling and Marketing	\$535,277	\$615,256	\$1,038,087	\$1,055,338
Agri-products	75,754	58,855	165,235	116,018
Agri-food Processing	154,027	162,889	306,868	314,357
Livestock Production and Marketing	71,661	62,757	127,404	105,039
Publishing and Other	3,473	3,389	6,640	6,579
Intersegment sales	(13,107)	(15,159)	(25,348)	(27,111)
	<b>\$827,085</b>	<b>\$887,987</b>	<b>\$1,618,886</b>	<b>\$1,570,220</b>

**SEGMENT EARNINGS FROM OPERATIONS**

	Three months ended January 31 2000/01 (in thousands) (unaudited)				Three months ended January 31 1999/00 (in thousands) (unaudited)			
	EBITDA	D&A	Provisions	EBIT	EBITDA	D&A	Provisions	EBIT
Grain Handling and Marketing	\$ 10,026	\$ 8,696	\$ 12,153	\$ (10,823)	\$ 10,708	\$ 8,980	\$ 6,892	\$ (5,164)
Agri-products	3,234	2,897	-	337	581	3,155	-	(2,574)
Agri-food Processing	6,427	4,337	-	2,090	6,297	3,836	-	2,461
Livestock Production and Marketing	6,160	2,852	-	3,308	3,643	2,711	-	932
Publishing and Other	645	94	-	551	642	119	-	523
<b>Segment Results</b>	<b>\$ 26,492</b>	<b>\$ 18,876</b>	<b>\$ 12,153</b>	<b>\$ (4,537)</b>	<b>\$ 21,871</b>	<b>\$ 18,801</b>	<b>\$ 6,892</b>	<b>\$ (3,822)</b>
Reconciling differences:								
Corporate expenses	(6,200)	292	1,170	(7,662)	(7,282)	325	-	(7,607)
Tax Recovery on Equity Earnings	1,735	-	-	1,735	681	-	-	681
<b>Per Financial Statements</b>	<b>\$ 22,027</b>	<b>\$ 19,168</b>	<b>\$ 13,323</b>	<b>\$ (10,464)</b>	<b>\$ 15,270</b>	<b>\$ 19,126</b>	<b>\$ 6,892</b>	<b>\$ (10,748)</b>

**SEGMENT EARNINGS FROM OPERATIONS**

	Six months ended January 31 2000/01 (in thousands) (unaudited)				Six months ended January 31 1999/00 (in thousands) (unaudited)			
	EBITDA	D&A	Provisions	EBIT	EBITDA	D&A	Provisions	EBIT
Grain Handling and Marketing	\$ 22,202	\$ 17,185	\$ 12,153	\$ (7,136)	\$ 12,680	\$ 16,104	\$ 6,892	\$ (10,316)
Agri-products	6,230	5,702	-	528	75	6,141	-	(6,066)
Agri-food Processing	18,485	8,510	-	9,975	15,309	7,795	-	7,514
Livestock Production and Marketing	11,360	5,673	-	5,687	5,826	4,730	-	1,096
Publishing and Other	1,131	193	-	938	1,124	239	-	885
<b>Segment Results</b>	<b>\$ 59,408</b>	<b>\$ 37,263</b>	<b>\$ 12,153</b>	<b>\$ 9,992</b>	<b>\$ 35,014</b>	<b>\$ 35,009</b>	<b>\$ 6,892</b>	<b>\$ (6,887)</b>
Reconciling differences:								
Corporate expenses	(10,190)	680	1,170	(12,040)	(12,648)	793	-	(13,441)
Tax Recovery on Equity Earnings	2,440	-	-	2,440	441	-	-	441
<b>Per Financial Statements</b>	<b>\$ 51,658</b>	<b>\$ 37,943</b>	<b>\$ 13,323</b>	<b>\$ 392</b>	<b>\$ 22,807</b>	<b>\$ 35,802</b>	<b>\$ 6,892</b>	<b>\$ (19,887)</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three months ended January 31		Six months ended January 31	
	2000/01	1999/00	2000/01	1999/00
	(in thousands)		(in thousands)	
	(unaudited)		(unaudited)	
			(restated)	
<b>Cash From (Used in) Operating Activities</b>				
Net loss	\$ (18,767)	\$ (14,825)	\$ (25,507)	\$ (29,281)
Add/(deduct) items not involving cash				
Depreciation and amortization	19,168	19,126	37,943	35,802
Provisions for consolidation and restructuring	13,323	6,274	13,323	6,274
Future taxes (recovery)	(13,085)	1,071	(15,109)	1,191
Equity (earnings) loss of significantly influenced companies	2,490	1,410	3,039	1,055
Pension and other items	(1,667)	(636)	(1,444)	(636)
Non-controlling interest	37	40	(45)	(162)
Cash flow from operations	1,499	12,460	12,200	14,243
Changes in non-cash working capital items				
Accounts receivable	135,003	48,183	(4,666)	(36,714)
Inventories	(3,953)	(33,298)	(25,147)	(71,828)
Accounts payable	(165,829)	(195,034)	(62,037)	(54,771)
Prepaid expenses	4,508	3,430	7,544	819
Cash used in operating activities	(28,772)	(164,259)	(72,106)	(148,251)
<b>Cash From (Used in) Financing Activities</b>				
Proceeds of long-term debt	138	29,754	6,469	86,364
Repayment of long-term debt	(16,751)	(4,000)	(18,471)	(7,519)
Proceeds (repayment) of short-term borrowings	(43,837)	50,494	94,134	148,625
Proceeds (repayment) of members' demand loans	(833)	583	(11,679)	(3,110)
Dividends	-	-	-	(14,970)
Increase (decrease) in other long-term liabilities	2,537	(3,084)	2,559	(1,980)
Amounts received from minority interest parties of a subsidiary	129	-	129	-
Decrease in share capital	(3)	(5)	(9)	(10)
Cash from (used in) financing activities	(58,620)	73,742	73,132	207,400
<b>Cash From (Used in) Investing Activities</b>				
Capital asset expenditures	(8,170)	(27,012)	(17,419)	(80,434)
Proceeds on sale of capital assets	4,507	1,151	4,940	2,301
Divestitures	11,000	-	11,000	-
Decrease in investments	369	348	1,210	473
Increase in other long-term assets	(3,424)	(205)	(4,743)	(3,220)
Cash from (used in) investing activities	4,282	(25,718)	(5,012)	(80,880)
<b>Decrease in Cash and Cash Equivalents</b>	<b>(83,110)</b>	<b>(116,235)</b>	<b>(3,986)</b>	<b>(21,731)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>69,926</b>	<b>97,397</b>	<b>(9,198)</b>	<b>2,893</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ (13,184)</b>	<b>\$ (18,838)</b>	<b>\$ (13,184)</b>	<b>\$ (18,838)</b>
<b>Cash Flow Per Share</b>	<b>\$ 0.04</b>	<b>\$ 0.33</b>	<b>\$ 0.33</b>	<b>\$ 0.38</b>

Cash and cash equivalents are comprised of short-term investments and bank indebtedness.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. Significant Accounting Policies**

The Company's accounting policies are in accordance with accounting principles generally accepted in Canada. The consolidated financial statements include the accounts of Saskatchewan Wheat Pool and its affiliated companies. The consolidated interim financial statements are unaudited and are based on accounting principles and practices consistent with those used in the preparation of the annual financial statements. These interim consolidated financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the most recent annual financial statements.

Due to the seasonal nature of the Company's business, the results of operations for any interim period are not necessarily indicative of the results to be expected for other interim periods or the full year.

Certain prior year amounts have been reclassified in order to conform with current year classifications.

**2. Earnings per Share**

Earnings per share are calculated using 37,425,219 Class "B" non-voting shares (January 31, 2000 – 37,425,219) which is the weighted average number issued and outstanding during the period. Fully diluted earnings per share, which includes 2,849,311 options for Class "B" non-voting shares (January 31, 2000 – 1,752,334), are not materially different.

**3. Re-Financing Status**

As at January 31, 2001 the Company was not in compliance with certain covenants required by its banking arrangements and has received waivers of these covenants. On February 28, 2001 the Company and its lenders entered into a term sheet for new credit facilities totaling \$557.5 million. The new credit facilities include a revolving facility and term loan with scheduled installment payments, and are subject to the parties finalizing a definitive credit agreement, the Pool negotiating and completing a new securitization program to fund grain inventories and agri-product receivables, and the satisfaction of various other conditions. The classification of debt under the new facilities is not expected to negatively impact working capital. The costs associated with the new facilities will increase in comparison to the costs associated with the prior banking arrangements.

**4. Accounts Receivable**

A joint venture, which is one-third owned by the Company, has a trade accounts receivable securitization program; at January 31, 2001 the balance was \$13 million (January 31, 2000 - \$13 million). The Company's trade accounts receivable securitization program expired on November 3, 2000 (balance at January 31, 2000 - \$16.5 million). The Company is currently negotiating a similar program and expects to have the program in place during the third quarter.

**5. Inventories**

Under the terms of an agreement with a financial institution, the company can sell up to \$200 million, on a revolving basis, the right to receive proceeds related to grain held for sale to The Canadian Wheat Board in accordance with a grain handling contract. At January 31, 2001, the grain purchased for sale to The Canadian What Board is reported net of \$117 million in proceeds (January 31, 2000 – \$111 million).

**6. Provisions for consolidation and restructuring**

On November 16, 2000, the Company announced a major initiative to improve the utilization of its resources and enhance the Company's financial performance. In addition to streamlining its operating and service divisions, the Company will consolidate its agri-products distribution locations and expand its previously announced grain system consolidation program. As a result, pre-tax charges of \$13.3 million (\$7.6 million after-tax) have been recorded against second quarter earnings.

**7. Subsequent Events**

On February 27, 2001, Premium Brands, in which the Company has a 41% equity investment, announced the sale of its Fresh Pork Division. Premium Brands expects total proceeds of approximately \$90 million from the sale.

**8. Change in Accounting Policies**

Effective August 1, 2000 the Company adopted the recommendations of the Canadian Institute of Chartered Accountants on accounting for future income taxes and employees' future benefits. The change in the accounting policy for future income taxes has been adopted retroactively and retained earnings have been increased by \$2.6 million while future income taxes have been decreased by the same amount. Prior periods have not been restated. The change in accounting for pension benefits has been adopted prospectively. The application of the pension benefit standard does not materially affect net earnings for the period.