



Saskatchewan Wheat Pool

For Immediate Release

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Cost savings and earnings improvements drive the Pool's third quarter performance

Saskatchewan Wheat Pool improved its performance for the fourth consecutive quarter in the period ending April 30, 2001. "Our focus on cost savings, operational efficiency, and improved earnings potential is generating the desired results," says Chief Executive Officer, Mayo Schmidt. "Year-over-year, all five segments reported improvements in EBITDA (earnings before interest, taxes, depreciation and amortization) – both for the three-month and nine-month periods."

EBITDA for the three months totaled \$25.4 million, more than four times the \$5.7 million generated in the same period last year. For nine months, EBITDA was \$77.0 million versus \$28.5 million, an improvement of \$48.5 million.

Year-to-date sales of \$2.3 billion remained ahead of last year despite a decline in the third quarter resulting from lower grain volumes and delayed seeding this spring. Gross margins improved by 40 per cent for the three-month period, and reached \$148.3 million in the first nine months versus \$112.1 million in the same period last year. On a year-to-date basis, selling and administrative expenses declined \$8.2 million.

"Last November we increased our target for total cost savings from restructuring to \$21 million this year. We have already eliminated \$15 million in costs and I'm pleased to report that we are on track to reach our target by July 31st," Schmidt says.

The Grain Handling and Marketing segment reported EBITDA of \$6.9 million in the three-month period, a \$9.2 million improvement from a year ago. For the first nine months, the grain segment earned \$29.1 million, nearly three times the earnings for the same period last year.

Total tonnes managed through the primary system were 5.7 million tonnes down from 6.2 million tonnes a year earlier due to a smaller Canadian Wheat Board program and the impact of the grain transportation dispute. Non-board grain movement partially offset this decline, up 18 per cent year-over-year led by a strong canola program and a 60 per cent improvement in the Pool's specialty crops business. At port, the Pool's wholly owned facilities handled 6.7 per cent more grain year-over-year driven by higher volumes through Vancouver.

Schmidt says, "We are successfully driving value through our core operations by maximizing the performance of our asset base, whether that's a primary elevator, port terminal or one of our processing operations. Despite lower handling volumes, we have effectively utilized our pipeline to link prairie production to the needs of the destination or end-use market. As a result, the grain segment generated more EBITDA in the first nine months of this year, than in all of fiscal 2000. The pipeline concept, together with better risk management practices and efficiency improvements clearly illustrate the profit potential of the grain business going forward."

EBITDA from the Agri-product segment for the nine-month period also improved totaling \$9.3 million compared to \$2.3 million last year led by WCFL's higher volumes and margins and cost reductions at the Pool's retail operations.

Agri-food Processing EBITDA of \$33.0 million is up 51 per cent on a year-to-date basis. Can-Oat Milling is having a significantly stronger year with both improved volumes and margins. CanAmera and CSP Foods' results continue to reflect strong performance on a year-to-date basis, however, results from these two businesses tapered off somewhat in the third quarter. The segment results also reflect the Pool's share of Premium Brands' gain on sale of their Red Deer plant partially offset by costs associated with their strike in Vancouver.

EBITDA from the Livestock Production and Marketing segment more than doubled to \$16.5 million. Heartland Pork marketed 254,000 finished hogs in the first three-quarters compared to 98,000 in the same period last year. Heartland Feeds also contributed to segment improvements for the period. The Western Producer generated \$3.6 million in EBITDA, an 18 per cent improvement.

Year-to-date interest costs were \$47.6 million, up \$14.8 million from last year reflecting higher borrowing costs and less interest being capitalized. Securitization costs of \$16.1 million for nine months includes a one-time charge of \$7.4 million in the current quarter associated with setting up a new securitization program to finance grain and agri-products receivables.

The Pool reported a loss of \$10.4 million or \$0.28 per share for the quarter versus a loss of \$18.9 million or \$0.50 per share, prior to provisions in the third quarter last year. For the nine-month period, the net loss after provisions was \$36.0 million versus a \$65.6 million loss in fiscal 2000.

Cash flow from operations was \$3.8 million for the nine-month period or \$0.10 per share reflecting the seasonally weak third quarter. This compares to \$15.1 million or \$0.40 per share last year. Excluding the impact of tax recoveries in fiscal 2000, cash flow from operations this year would have improved by \$10.9 million.

"Over the past 18 months we have illustrated to our shareholders that we are committed to restoring the Pool to profitability. Our operating earnings, or earnings before interest and taxes, are up \$44.5 million to \$19.6 million this year from a loss last year of \$24.9 million," says Schmidt.

"But in order to generate a positive bottom line we must address our interest costs. Past expansions and investments have elevated debt levels. Our job is to reduce that debt and bring interest costs in line. We have a business plan that addresses this issue head on. As we move into next year, our focus on core operations will intensify and we will divest of those assets that are not a long-term strategic fit. We will heighten our focus on customer service at the producer level and seek strategic alliances in destination markets to drive volumes through our pipeline. Our goal is to generate value to shareholders by becoming the agri-marketer of choice in Canada, linking the production of prairie producers to destination markets around the world."

Nine Month Handling Volumes to April 30
(millions of tonnes)

	<u>2000/01</u>	<u>1999/00</u>
Primary Elevator System	<u>5.75</u>	<u>6.21</u>
Terminal Operations		
Vancouver - SWP	1.96	1.60
Thunder Bay - SWP	1.03	1.20
Share of Affiliates	<u>1.15</u>	<u>1.39</u>
	<u>4.14</u>	<u>4.19</u>

CONSOLIDATED BALANCE SHEETS

	<u>As at April 30</u>		<u>As at July 31</u>
	2001	2000	2000
	(in thousands)		(in thousands)
	(unaudited)	(unaudited)	(audited)
ASSETS			
Current Assets			
Short-term investments	\$ -	\$ 1,172	\$ -
Accounts receivable (Note 3)	246,663	290,887	239,384
Inventories (Note 3)	344,083	407,826	274,159
Prepaid expenses	7,266	10,892	16,770
	<u>598,012</u>	<u>710,777</u>	<u>530,313</u>
Investments	76,587	79,235	76,342
Capital Assets	812,850	897,253	851,398
Other Long-Term Assets (Note 4)	188,641	134,995	129,358
	\$ 1,676,090	\$ 1,822,260	\$ 1,587,411
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Bank indebtedness	\$ 8,730	\$ 28,665	\$ 9,198
Short-term borrowings (Note 2)	76,776	242,842	134,000
Members' demand loans	34,334	60,417	48,834
Accounts payable	252,086	306,304	244,536
Long-term debt due within one year	168,719	16,870	16,178
	<u>540,645</u>	<u>655,098</u>	<u>452,746</u>
Long-Term Debt (Note 2)	543,001	545,638	534,269
Other Long-Term Liabilities (Note 5)	76,413	43,976	52,044
Non-Controlling Interest	5,808	4,937	4,740
	<u>1,165,867</u>	<u>1,249,649</u>	<u>1,043,799</u>
Shareholders' Equity			
Share capital	457,701	457,717	457,712
Retained earnings	52,522	114,894	85,900
	<u>510,223</u>	<u>572,611</u>	<u>543,612</u>
	\$ 1,676,090	\$ 1,822,260	\$ 1,587,411

**CONSOLIDATED STATEMENTS OF EARNINGS
AND RETAINED EARNINGS**

	Three months ended April 30		Nine months ended April 30	
	2000/01 (in thousands)	1999/00 (in thousands)	2000/01 (in thousands)	1999/00 (in thousands)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales and Other Operating Revenues	\$ 682,744	\$ 730,485	\$ 2,301,630	\$ 2,300,705
Cost of Sales and Expenses				
Cost of sales and operating expenses	639,727	699,687	2,153,292	2,188,622
Selling and administrative expenses	23,220	24,457	73,889	82,042
Depreciation and amortization	19,429	17,648	57,372	53,450
Provisions for consolidation and restructuring (Note 7)	-	29,105	13,323	35,997
	682,376	770,897	2,297,876	2,360,111
Earnings (Loss) Before the Undernoted	368	(40,412)	3,754	(59,406)
Equity earnings (loss) of significantly influenced companies	5,731	(483)	2,692	(1,538)
Non-controlling interest	(167)	(127)	(122)	35
Earnings (Loss) Before Interest and Taxes	5,932	(41,022)	6,324	(60,909)
Interest expense	15,261	12,554	47,554	32,735
Securitization fees and expense (Note 3)	9,636	1,952	16,096	8,047
Earnings (Loss) Before Corporate Taxes	(18,965)	(55,528)	(57,326)	(101,691)
Recovery of corporate taxes	8,521	19,177	21,375	36,059
Net Earnings (Loss)	(10,444)	(36,351)	(35,951)	(65,632)
Retained Earnings, Beginning of Period	62,966	151,245	85,900	180,526
Income tax restatement (Note 9)	-	-	2,573	-
Retained Earnings, End of Period	\$ 52,522	\$ 114,894	\$ 52,522	\$ 114,894
Earnings (Loss) Per Share (Note 6)	\$ (0.28)	\$ (0.97)	\$ (0.96)	\$ (1.75)

SALES AND OPERATING REVENUE BY SEGMENT

	Three months ended April 30		Nine months ended April 30	
	2000/01 (in thousands)	1999/00 (in thousands)	2000/01 (in thousands)	1999/00 (in thousands)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
SALES				
Grain Handling and Marketing	\$ 414,526	\$ 456,998	\$ 1,452,613	\$ 1,512,336
Agri-products	61,494	85,220	226,729	201,238
Agri-food Processing	148,199	135,060	455,067	449,417
Livestock Production and Marketing	66,030	58,978	193,434	164,017
Publishing and Other	6,132	5,283	12,772	11,862
Intersegment sales	(13,637)	(11,054)	(38,985)	(38,165)
	\$ 682,744	\$ 730,485	\$ 2,301,630	\$ 2,300,705

SEGMENT EARNINGS FROM OPERATIONS

	Three months ended April 30 2000/01 (in thousands) (unaudited)				Three months ended April 30 1999/00 (in thousands) (unaudited)			
	EBITDA	D&A	Provisions	EBIT	EBITDA	D&A	Provisions	EBIT
	Grain Handling and Marketing	\$ 6,907	\$ 9,428	\$ -	\$ (2,521)	\$ (2,273)	\$ 7,702	\$ 20,024
Agri-products	3,100	2,554	-	546	2,232	2,798	-	(566)
Agri-food Processing	14,480	4,210	-	10,270	6,480	3,933	(4,215)	6,762
Livestock Production and Marketing	5,168	2,817	-	2,351	2,289	2,713	5,091	(5,515)
Publishing and Other	2,496	87	-	2,409	1,960	108	-	1,852
Segment Results	32,151	19,096	-	13,055	10,688	17,254	20,900	(27,466)
Reconciling differences:								
Corporate expenses	(4,816)	333	-	(5,149)	(4,969)	394	8,205	(13,568)
Tax Provision on Equity Earnings	(1,974)	-	-	(1,974)	12	-	-	12
Per Financial Statements	\$ 25,361	\$ 19,429	\$ -	\$ 5,932	\$ 5,731	\$ 17,648	\$ 29,105	\$ (41,022)

SEGMENT EARNINGS FROM OPERATIONS

	Nine months ended April 30 2000/01 (in thousands) (unaudited)				Nine months ended April 30 1999/00 (in thousands) (unaudited)			
	EBITDA	D&A	Provisions	EBIT	EBITDA	D&A	Provisions	EBIT
	Grain Handling and Marketing	\$ 29,109	\$ 26,613	\$ 12,153	\$ (9,657)	\$ 10,407	\$ 23,806	\$ 26,916
Agri-products	9,330	8,256	-	1,074	2,307	8,939	-	(6,632)
Agri-food Processing	32,965	12,720	-	20,245	21,789	11,728	(4,215)	14,276
Livestock Production and Marketing	16,528	8,490	-	8,038	8,115	7,443	5,091	(4,419)
Publishing and Other	3,627	280	-	3,347	3,084	347	-	2,737
Segment Results	91,559	56,359	12,153	23,047	45,702	52,263	27,792	(34,353)
Reconciling differences:								
Corporate expenses	(15,006)	1,013	1,170	(17,189)	(17,617)	1,187	8,205	(27,009)
Tax Provision on Equity Earnings	466	-	-	466	453	-	-	453
Per Financial Statements	\$ 77,019	\$ 57,372	\$ 13,323	\$ 6,324	\$ 28,538	\$ 53,450	\$ 35,997	\$ (60,909)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended April 30		Nine months ended April 30	
	2000/01	1999/00	2000/01	1999/00
	(in thousands)		(in thousands)	
	(unaudited)		(unaudited)	
				(restated)
Cash From (Used in) Operating Activities				
Net loss	\$ (10,444)	\$ (36,351)	\$ (35,951)	\$ (65,632)
Add/(deduct) items not involving cash				
Depreciation and amortization	19,429	17,648	57,372	53,450
Provisions for consolidation and restructuring	(24)	26,051	13,299	32,325
Future taxes recovery	(9,859)	(7,407)	(24,968)	(6,216)
Equity (earnings) loss of significantly influenced companies	(5,731)	483	(2,692)	1,538
Pension and other items	(1,941)	286	(3,385)	(350)
Non-controlling interest	167	127	122	(35)
Cash flow from (used in) operations	(8,403)	837	3,797	15,080
Changes in non-cash working capital items				
Accounts receivable	(8,633)	(17,084)	196,684	146,834
Securitization of accounts receivable	(335)	10,914	(224,856)	(214,433)
Inventories	(26,931)	(79,321)	(52,725)	(126,119)
Securitization of inventories	(22,097)	7,597	(21,450)	(17,433)
Accounts payable	69,914	71,723	22,415	41,667
Prepaid expenses	1,827	1,528	9,371	2,347
Changes in non-cash working capital	13,745	(4,643)	(70,561)	(167,137)
Cash from (used in) operating activities	5,342	(3,806)	(66,764)	(152,057)
Cash From (Used in) Financing Activities				
Proceeds of long-term debt	344,306	2,925	352,028	89,289
Repayment of long-term debt	(169,576)	(881)	(189,300)	(8,400)
Proceeds of short-term borrowings	95,064	7,475	189,198	156,100
Repayment of short-term borrowings	(254,000)	-	(254,000)	-
Repayment of members' demand loans	(2,821)	(8,218)	(14,500)	(11,328)
Dividends	-	-	-	(14,970)
Increase (decrease) in other long-term liabilities	(946)	5,677	1,613	3,697
Amounts received from (paid to) minority interest parties of a subsidiary	-	(102)	129	(102)
Decrease in share capital	(2)	(5)	(11)	(15)
Cash from financing activities	12,025	6,871	85,157	214,271
Cash From (Used in) Investing Activities				
Capital asset expenditures	(3,017)	(18,405)	(20,436)	(98,839)
Proceeds on sale of capital assets	1,811	1,150	6,751	3,451
Divestitures	-	6,740	11,000	6,740
Decrease (increase) in investments	(47)	(160)	1,163	313
Increase in other long-term assets	(11,660)	(1,045)	(16,403)	(4,265)
Cash used in investing activities	(12,913)	(11,720)	(17,925)	(92,600)
Increase (Decrease) in Cash and Cash Equivalents	4,454	(8,655)	468	(30,386)
Cash and Cash Equivalents, Beginning of Period	(13,184)	(18,838)	(9,198)	2,893
Cash and Cash Equivalents, End of Period	\$ (8,730)	\$ (27,493)	\$ (8,730)	\$ (27,493)
Cash Flow Per Share	\$ (0.22)	\$ 0.02	\$ 0.10	\$ 0.40

Cash and cash equivalents consist of cash, short-term investments and bank indebtedness.

Cash and cash equivalents at the end of the period include deposits with banks of \$13.8 million held by a subsidiary. The use of this cash is currently restricted.

With 23 operating companies, Saskatchewan Wheat Pool is Canada's largest publicly traded agri-business co-operative headquartered in Regina, Saskatchewan. Its core business operations are grain handling and marketing and agri-product sales. These operations are complemented by livestock, food processing and value-added businesses that allow the Pool to leverage its pivotal position between prairie farmers and destination customers in North America and around the world. The Pool's Class B shares are listed on the Toronto Stock Exchange under the symbol SWP.B.

For further information.

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