

Saskatchewan Wheat Pool

4th Quarter Investor Conference Call – 3:30 p.m. September 12, 2001

Colleen Vancha: Good Afternoon Ladies and Gentlemen. Thank you for joining our year-end conference call today. We have approximately 45 minutes for today's call so we will keep opening comments brief to allow ample time for questions.

In addition to the information presented to you today, we have posted slides on the web-site that you may want to reference in doing your analysis. Additional information contained in our year-end Management Discussion and Analysis and the notes that support the financial results will not be released until mid-October when our Annual Report is mailed.

To begin I'll ask Mr. Michael McCord, our Chief Financial Officer, to provide an overview of results. Mayo Schmidt, our Chief Executive Officer will conclude with a summation of operational achievements and a look forward. We will then open the call to questions.

Michael McCord: Thank you, Colleen. Good Afternoon, Ladies and Gentlemen.

Fiscal 2001 was a year of fundamental improvement for Saskatchewan Wheat Pool. While industry conditions remained challenging, our focus on operating efficiency, debt reduction and improved earnings potential has set the company firmly on course to restore long-term profitability.

Sales and operating revenues were \$3.3 billion similar to last year.

Gross margins were up 30% to \$248 million thanks to significant cost savings associated with the consolidation of our grain handling and farm supply networks.

EBITDA showed strong improvement in fiscal 2001 – up 82% to \$147.6 million from \$81.1 million the year before. All five business segments posted improved results.

EBIT reached \$71.9 million versus \$4.1 million in fiscal 2000, prior to provisions.

The Pool recorded a loss for the year of \$17.2 million or \$0.46 per share prior to provisions, a 54% improvement over the \$37.1 million or \$0.99 per share loss in fiscal 2000.

Cash flow from operations reached \$42.2 million or \$1.13 per share, up from \$26.5 million in fiscal 2000 after excluding the \$29 million in tax recoveries recorded in that year.

To summarize segment results:

Grain Handling and Marketing generated EBITDA more than double last year as a result of improved operational efficiencies and lower operating costs.

Please note that the revenue recognition method associated with grain inventories in the primary system has changed to recognize revenue when grain is shipped or title passes to the customer. The effect of this change in accounting policy was

reflected retroactively, and the impact on EBITDA in fiscal 2001 was an increase of \$3.3 million.

Primary elevator volumes have also been restated to reflect this change. We now report primary grain volumes as shipments out of the system rather than deliveries into the system – consistent with other grain companies. Primary elevator shipments were 8.3 million tonnes compared to 8.5 million tonnes last year.

Market share in western Canada, which is based on primary deliveries, was 21%, slightly higher than expected. Volumes delivered into our system were 7.7 million tonnes, down 9%, reflecting increased competition, elevator rationalization and slower grain movement in the 4th quarter due to drought conditions.

Agri-product sales in F2001 were \$516 million compared to \$532 million last year. The Pool's retail operation accounted for 81% of segment sales.

EBITDA for the Agri-products segment were \$49.3 million, up 37% from \$35.9 million in fiscal 2000. WCFL earnings more than doubled, while the Pool's retail operation was down slightly due to lower volumes and margins partially offset by the cost reductions achieved through efficiency improvements and facility rationalization.

Agri-Food sales were \$605 million, compared to \$590 million last year led by strong sales at Can-Oat. Combined sales for CSP Foods and CanAmera were similar to last year and accounted for 86% of total segment sales.

EBITDA for Agri-food Processing increased 38% to \$39.1 million compared to \$28.4 million in fiscal 2000.

Total Livestock Production and Marketing sales in fiscal 2001 were \$242 million. Heartland Pork increased sales by 55% and Heartland Feeds showed a 24% increase. The segment generated EBITDA of \$21.2 million in fiscal 2001, up 49% from \$14.2 million last year. Heartland Feeds more than doubled its EBITDA, and Heartland Pork showed a 32% improvement. Heartland Livestock's contribution was similar to fiscal 2000.

Western Producer sales were \$16 million, up 6% compared to last year and EBITDA was up 13% to \$4.1 million.

Looking at the balance sheet....

The Pool's debt to equity ratio was 60:40 up slightly from 58:42 last year.

As the press release indicates, we reduced debt obligations including securitization by \$94 million. While our debt increased by \$6.5 million on the balance sheet, the amount the Pool finances through its securitization program decreased by \$101 million. We have prepared a table on the website entitled "debt reduction" that provides the breakdown for your review.

That concludes my summary. I'll turn the discussion over to Mayo Schmidt our Chief Executive Officer.

Mayo Schmidt:

Thank you Mike. Good afternoon ladies and gentlemen. I would like to spend a few moments providing you with some of the operational highlights for the year.

As you know our primary focus this past year has been on our core grain and agri-products operations. In July, we completed the two restructuring and consolidation initiatives announced last year. As a result of this necessary process, the Pool eliminated \$25 million in costs, \$4 million more than our target. We now operate 55 high throughput grain handling facilities, and 24 specialty plants - supported by 125 agri-products retail locations across western Canada. We lead the industry in terms of facilities consolidation and intend to capitalize on the opportunities that will arise when other companies step up their rationalization efforts.

We also lead the industry in terms of our multi-car loading capacity. 85% of our grain handling capacity has 50 or 100 car loading capabilities. This past year, we maximized our revenue opportunities shipping 78% of our volumes in multi-car shipments. That number is up from 61% last year.

This is a particularly important focus for the Pool given the intense competition on the Prairies and the increased opportunities available under the new tendering process that was implemented by the Canadian Wheat Board on August 1st. As you know, the Board intends to tender 25% of its exports in fiscal 2002 and 50% in the following two years. Our network of primary and port terminal capacity provides us with the strategic strength to compete successfully for those large tenders.

As our press release indicated we improved our non-Board program by 21% year over year and increased our special crops business by 42%. This was a primary factor for our improved market share through the port of Vancouver. In Fiscal 2001 alone we increased our market share on the six major grains through that port from 16% to 19%.

Our divestiture program has been another primary objective for this management team and we have completed a number of transactions over the past several months:

- The first was the sale of XCAN Grain Pool for \$11 million,
- We sold our 41% share of Premium Brands, which resulted in proceeds at closing of \$41 million with an additional \$5 million due in six months.
- And we recently announced the sale of 89.8% owned Heartland Livestock, our cattle marketing centres, for \$32.9 million subject to holdbacks and adjustments. The sale is expected to close in September and we will record approximately \$6 million as a pre-tax gain in our 1st quarter.

Proceeds from our divestiture program are being applied exclusively to debt. Our divestiture program will continue into fiscal 2002 as we focus on aggressively reducing our debt and sizing our business portfolio to our new economic reality.

Our third key focus was on developing strategic alliances and supply agreements to support our grain handling and agri-products network. In addition to alliances with XCAN Grain Pool, and Robin's Donuts, we have established an alliance with CWS Logistics to manage the warehousing and distribution of our agri-Products network, and with Toepfer International, a world leader in commodity trading. We have also recently signed an agreement with one of Canada's top malting companies, which will allow us to drive additional volumes of malt barley through our agri-business pipeline.

Looking forward to next year, the drought in western Canada has been well reported in the media. Western Canadian production of the six major grains and oilseeds is estimated to be approximately 39 million tonnes, down 20% from the 10-year average. 2002 exports of Canadian Wheat Board grains are also expected to decline by 10 to 15%. We expect similar declines in volumes and earnings.

It is unfortunate that the drought hit in a year where we had so many successes. But I can assure you that it will not affect our commitment to execution.

We will continue to focus on debt reduction and gross margin improvements. The additional \$10 million in cost savings in fiscal 2002 that we projected from our consolidation efforts are on track, bringing the annual cost savings associated with our restructuring program to \$31 million. But we don't intend to stop there. We will adjust our cost base to reflect the impact of the drought and during that process, I am confident we will identify further opportunities to eliminate costs from our system.

We will continue to focus on superior customer relationships with both producers and destination customers. We will actively participate in the Canadian Wheat Board tendering process and we will continue to seek out new alliances and marketing opportunities to drive volumes through our highly efficient grain handling network.

I appreciate your interest in Saskatchewan Wheat Pool and look forward to continuing to work on your behalf. Thank you for your attention.

Will Hill, head of the grain group and Bill Dorgan, newly appointed Vice President of Agri-products are also available today to take your questions.

Question and Answer Period.

Colleen Vancha: Conclusion: Thank you very much for your participation today. This call has been recorded and can be accessed by dialling 416-695-9731. The playback feature is available until available until Friday September 14. Again, thank you for your interest in Saskatchewan Wheat Pool.