



# SASKATCHEWAN WHEAT POOL

## 2ND QUARTER REPORT – JANUARY 31, 2002

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### TO OUR SHAREHOLDERS

#### ON TRACK

Saskatchewan Wheat Pool continued to build upon its commitments to shareholders during the second quarter of Fiscal 2002. The Pool's strong emphasis on managing its costs, reducing debt and maximizing its core operations has led to the following achievements.

#### ACHIEVEMENTS:

##### *Objective 1: Debt Reduction*

- Balance sheet debt at January 31, 2002 declined \$157 million or 19% compared to January 31, 2001. In addition to substantial decreases in short-term borrowings, the Pool repaid \$95 million of its term loan facility on November 30, 2001.
- The Pool raised approximately \$25 million in cash proceeds in the second quarter through its divestiture program. The Pool sold four feed mills and a retail operation, its publishing division, Western Producer Publications, as well as investments in Medicine Hat Feeding Company, Pound-Maker Agventures Ltd. and Saskatoon Livestock Sales Ltd. An additional \$1.6 million was raised through the sales of assets, primarily elevators.
- Subsequent to quarter-end, Saskatchewan Wheat Pool finalized the sale of CSP Foods Division to Dawn Foods (Canada), Ltd. for proceeds of approximately \$35 million.
- On February 28, 2002, the Pool repaid an additional \$45 million of its term loan facility, which will be reflected in the third quarter.

##### *Objective 2: Cost Reductions*

- Selling and administrative expenses declined by \$4.9 million in the second quarter of Fiscal 2002 bringing year-to-date selling and administrative expenses down by \$8.2 million.
- In total, the Pool's core operations reduced operating costs by \$19 million during the first six months of this year, exceeding its mid-year target by 15%.

##### *Objective 3: Maximizing Core Assets*

- Shipments through the Pool's primary grain handling system were 2.2 million tonnes in the second quarter, 40,000 tonnes ahead of the second quarter last year driven by increased market share for Canadian Wheat Board (CWB) grains along with increased feed grain movement into southern Alberta.
- The Pool continued to maximize its multi-car loading capabilities securing one-third of CWB tenders for the period. This, coupled with a successful grain marketing strategy has driven market share gains (based on receipts) of approximately 4% to date, bringing western Canadian market share for the first six months to over 22%.
- 91% of this year's shipments moved in multi-car trains versus 77% last year. The Pool believes its multi-loading capacity is a key strategic advantage in today's grain handling environment because of the incentives of up to \$6/tonne provided by the railways for multi-car loads.
- Despite tough industry conditions associated with last year's drought, the Pool's Grain Handling and Marketing segment generated 8% more EBITDA than in the second quarter last year, reaching \$11.3 million in the three-month period.

#### *Objective 4: Strategic Relationships*

- In January 2002, Saskatchewan Wheat Pool and Farm Credit Canada entered into an alliance to offer western Canadian producers agri-products financing. Available to the Pool and AgPro customers, the program offers producers competitively priced financing with low interest rates and extended credit terms.
- Administered by the Pool, but financed by Farm Credit, the program replaces the Pool's agri-products financing program, thereby eliminating up to \$200 million in annual financing requirements.
- The Pool has also enhanced its alliance with John Deere Credit Inc., after a successful pilot in Alberta, by expanding the AgLine credit card option to all SWP/AgPro facilities across Western Canada.
- Can-Oat Milling has secured a number of key contracts with some of the most prominent North American consumer products companies driving EBITDA growth in the second quarter.

#### **SUMMARY OF CONSOLIDATED RESULTS:**

Saskatchewan Wheat Pool recorded consolidated sales and operating revenues in the three-month period of \$774.1 million compared to \$827.1 million last year. Year-to-date sales were \$1.45 billion compared to \$1.62 billion in the same period last year.

Earnings before interest, securitization, taxes, depreciation and amortization (EBITDA) for the second quarter were \$17.7 million compared to \$22.4 million in the previous year's quarter. A 64% increase in EBITDA from Agri-food Processing coupled with an 8% increase in EBITDA from the Grain segment partially offset the declines in the Livestock and Agri-products segments in the second quarter. Year-to-date EBITDA was \$34.7 million compared to \$53.8 million a year earlier.

Depreciation and amortization for the quarter was \$18.8 million, slightly below the \$19.2 million recorded in the second quarter last year. For the six-month period, depreciation and amortization was \$36.6 million versus \$37.9 million last year.

The second quarter operating loss, prior to interest, securitization and taxes (EBIT) and one-time items was \$1.1 million compared to earnings of \$3.3 million a year earlier. On a year-to-date basis, EBIT was a loss of \$1.9 million compared to earnings of \$15.9 million last year.

Interest and securitization costs decreased \$2.0 million to \$16.8 million in the quarter as a result of lower debt levels and declining interest rates. On a year-to-date basis interest and securitization expenses were \$38.5 million, just slightly below the previous year's level.

The Pool recorded a number of provisions in its second quarter (all numbers appear after-tax), including:

- an \$8.5 million gain on sale for its publishing assets;
- an \$8.2 million loss on sale for its feed mills and retail operation; and
- a \$13.5 million impairment in value of CSP Foods Division which was sold subsequent to the end of the second quarter.

For its second quarter of Fiscal 2002, the Pool's loss, prior to provisions and unusual items, was \$12.8 million or \$0.34 per share, just \$1.9 million off last year's second quarter results. Stronger results from the Pool's core operations and Can-Oat Milling were offset by reduced contributions from the Pool's affiliates, Western Co-operative Fertilizers and CanAmara Foods.

On a year-to-date basis, the pre-provision loss was \$28.5 million or \$0.76 per share compared to a \$16.5 million loss last year or \$0.44 per share.

The consolidated net loss for the quarter was \$26.0 million or \$0.69 per share compared to an \$18.5 million loss or \$0.49 per share in the second quarter of Fiscal 2001. On a year-to-date basis, the net loss was \$38.4 million (\$1.03 per share) compared to a \$24.1 million loss (\$0.64 per share) for the same period last year.

#### **SALES AND EBITDA – ADDITIONAL INFORMATION**

In an effort to assist readers in their analysis of year-over-year financial results, the following table provides detail with respect to the sales, EBITDA and EBIT from businesses that have been sold up to and including January 31, 2002.

Divestitures:

- Premium Brands July 2001
- Heartland Livestock August 2001
- Heartland Feeds November 2001
- Western Producer January 2002

	<u>2<sup>nd</sup> Quarter</u>		<u>Year-to-date</u>	
	Fiscal 2002	Fiscal 2001	Fiscal 2002	Fiscal 2001
Consolidated sales	\$ 774.1M	\$ 827.1M	\$ 1,447.4M	\$ 1,618.9 M
Sales from divested assets	<u>6.6M</u>	<u>50.4M</u>	<u>19.6M</u>	<u>94.0 M</u>
Sales from remaining operations	767.5M	776.7M	1,427.8M	1,524.9 M
Consolidated EBITDA	\$ 17.7M	\$ 22.4M	\$ 34.7M	\$ 53.8 M
EBITDA from divested assets	<u>0.3M</u>	<u>1.3M</u>	<u>1.4M</u>	<u>(0.2)M</u>
EBITDA from remaining operations	17.4M	21.1M	33.3M	54.0 M
Consolidated EBIT	\$ (1.1)M	\$ 3.3M	\$ (1.9)M	\$ 15.9 M
EBIT from divested assets	<u>0.1 M</u>	<u>0.9M</u>	<u>0.9 M</u>	<u>(1.2)M</u>
EBIT from remaining operations	(1.2)M	2.4M	(2.8)M	17.1 M

**SEGMENT RESULTS:**

**GRAIN HANDLING AND MARKETING**

The Pool's primary shipments for the second quarter of Fiscal 2002 were 2.2 million tonnes for a total to date of 4.2 million tonnes just 2.6% below last year's level. Approximately 58% of grain shipped by the Pool was for the account of the CWB, up from 57% for the same period last year.

The Pool's performance in the first six months compares favourably with the rest of the Canadian grain industry.

Shipments	<u>Year-over-year Change</u>	
	Industry	SWP
6 Major grains	-14%	-8%
CWB grains	-8%	-1%

Volumes shipped through the Pool's wholly owned port terminals were 1.9 million tonnes down from 2.1 million tonnes in the first six months of last year. A smaller canola program that resulted from a significant decline in canola production in the fall was the primary factor. The Pool's Vancouver terminal was off 4.9% which compares favourably to the industry, which experienced a 13% decline in the six major grains through that port. The Pool's terminal volumes at Thunder Bay were down 24.5% while industry receipts for the six major grains through the port were down 15%.

The Pool's share of volumes through port terminal affiliates was 0.4 million tonnes versus 0.7 million tonnes in Fiscal 2001.

**Six Month Volumes to January 31  
(000's of tonnes)**

	Increase (Decrease)	F2002	F2001
Primary Elevator Shipments	-2.6%	4,170	4,281
Terminal Operations			
Vancouver	-4.9%	1,228	1,291
Thunder Bay	-24.5%	647	857
Share of Affiliates	-39.5%	408	674
<b>Total Terminal Operations</b>	<b>-19.1%</b>	<b>2,283</b>	<b>2,822</b>

For the second quarter of Fiscal 2002, the Grain Handling and Marketing segment generated EBITDA of \$11.3 million compared to \$10.4 million in the second quarter last year. EBIT was \$2.7 million in the second quarter compared to \$1.7 million last year. The increase was attributed to benefits derived through the CWB tendering process and the corresponding market share improvements coupled with expense reductions.

On a year-to-date basis, EBITDA was \$22.1 million down only \$2.3 million from the first six months of Fiscal 2001. EBIT for the first half of the year was \$5.9 million compared to \$7.2 million in Fiscal 2001. Lower margins per tonne due to a change in commodity mix were partially offset by significant cost reductions.

Looking forward, the Company expects exports to decline this year because of the 21% reduction in western Canadian production that occurred last year due to the drought. As a result, terminal volumes are expected to be lower than last year's levels. In the primary business, the Pool has been able to maximize shipments in the first two quarters of Fiscal 2002; however, volumes are expected to decline in the latter half of the year, as availability becomes an issue for the industry. From an earnings perspective, Grain Handling and Marketing EBITDA will benefit from the Pool's continued emphasis on costs, but margins are not expected to reach last year's level as the mix of available commodities favours lower margin product.

#### **AGRI-PRODUCTS**

Sales for this segment for the second quarter were \$64.3 million compared to \$75.8 million a year earlier. For the six-month period, sales totaled \$117.2 million compared to \$165.2 million last year. Insufficient moisture levels discouraged the fall application of fertilizer impacting sales volumes for both the Pool and Western Co-operative Fertilizers, its joint venture affiliate. In addition, high fertilizer prices last year drove producers to pre-buy fertilizer in the first six months of that year impacting the comparative Fiscal 2002 sales variance from a volume and price perspective.

EBITDA for the three months was \$0.6 million reducing the year-to-date EBITDA loss to \$0.2 million, which compares to EBITDA of \$6.2 million in the first six months last year. EBIT for the second quarter was \$(2.6) million versus \$0.3 million in the second quarter last year. Year-to-date EBIT was \$(6.2) million versus \$0.5 million in the first half of Fiscal 2001.

The Pool's agri-products retail operation was able to maintain its contribution on a year-to-date basis by focussing on the cost side of the business. The entire variance is associated with Western Co-operative Fertilizers (WCFL), which suffered from lower sales volumes and decreased selling prices for urea and ammonia.

Dry conditions across much of the Prairies this winter pose a risk to agri-products sales in the spring. However, rain can quickly restore moisture levels and encourage normal sales. Expectations for increased seeded canola acreage have been tempered at this point pending a return to regular growing conditions. Producers have yet to commit to the crops they will plant which will influence the amount of seed, fertilizer and crop protection product sales that will occur in the spring. In the interim, the company remains focussed on initiatives within its control including cost reduction strategies, inventory management, effective working capital utilization and growing its customer base through innovative strategies such as the new agri-products financing program. At WCFL, results are expected to be reasonably strong assuming a return to normal weather conditions, but are not anticipated to reach Fiscal 2001 levels. Lower sales volumes and decreased selling prices for urea and ammonia are expected to impact WCFL's contribution somewhat for the full year.

#### **AGRI-FOOD PROCESSING**

Sales for this segment for the second quarter of Fiscal 2002 were \$162.6 million, up 5.6% over last year's \$154.0 million. Year-to-date sales totaled \$322.4 million compared to \$306.9 million in the first six months last year. Can-Oat Milling continued to lead the improvement with a 46% sales increase, benefiting from new contracts with some of North America's leading consumer products companies. Approximately 73% of Can-Oat's sales have been finished goods, which was up 22% from the same period last year.

CanAmara Foods and Prairie Malt also recorded sales increases, while CSP Foods' sales were down slightly from the previous years' period.

EBITDA for the Agri-food Processing segment were \$10.6 million bringing the year-to-date total to \$18.2 million compared to \$18.5 million recorded in the first half of last year. Included in last year's results was the Pool's share of Premium Brands' loss, which was approximately \$5.6 million for the six-month period. EBIT was \$6.3 million for the second quarter of Fiscal 2002 compared to \$2.1 million last year. On a year-to-date basis EBIT was \$9.6 million compared to \$10.0 million last year.

Can-Oat Milling continued with record results generating substantial EBITDA growth in the quarter and first six months of the year. Prairie Malt also strengthened results for the period, while CSP Food's results were on par with last year. CanAmerna's contribution improved somewhat in the quarter relative to last quarter, on slightly stronger soya crush margins but EBITDA remained sharply lower for the first six months reflecting dramatic reductions in Canadian canola supplies, higher seed prices and canola oil market share loss.

Significant sales and EBITDA improvements at Can-Oat will continue in the second half of the year. Can-Oat Milling expects its sales of finished oats to increase to 75% of total sales in Fiscal 2002. Management believes that growth opportunities for Can-Oat will be driven by operational efficiencies and by leveraging its strong customer relationships and market position.

The issues affecting CanAmerna's performance in the first half of Fiscal 2002 are expected to continue for the next several months with canola margins under pressure.

#### **LIVESTOCK PRODUCTION AND MARKETING**

Sales for this segment for the second quarter of Fiscal 2002 were \$26.1 million versus \$71.7 million in the second quarter of Fiscal 2001, reflecting the sale of Heartland Livestock Services, four feed mills and a retail operation.

Heartland Pork's results were mixed for the first six months with a 9% increase in sales driven by an increase in the number of finished hogs marketed to 178,000 from 166,000 last year. However, lower margins and EBITDA were realized because of substantial feed cost increases that resulted from drought conditions last year. The aquaculture operation experienced substantially lower prices due to excess supplies of fish in the market coupled with a dramatic decline in restaurant demand driven by the September 11 attack.

EBITDA for the Livestock Production and Marketing segment were \$2.9 million down substantially from \$11.4 million in the first six months last year reflecting asset dispositions and lower results from Heartland Pork and the aquaculture operation. EBIT was \$(2.5) million for the three months compared to earnings of \$3.3 million in last year's second quarter. Year-to-date EBIT was a loss of \$2.1 million versus earnings of \$5.7 million a year earlier. These trends will continue for the remainder of the year.

#### **PUBLISHING AND OTHER**

Year-to-date sales were \$5.1 million and EBITDA was \$0.6 million for this segment. EBIT was \$0.4 million versus \$0.9 million last year. Western Producer Publications was sold during the quarter with the second quarter being the final reporting period for the Pool.

#### **LIQUIDITY AND CAPITAL RESOURCES**

Cash flow from operations in the quarter was \$1.3 million, or \$0.04 per share compared to \$1.9 million or \$0.05 per share in the second quarter last year. For the six months, cash used in operations was \$4.8 million compared to cash generated of \$14.4 million last year. The decline is largely related to the decrease in earnings caused by poorer results from CanAmerna and Western Co-operative Fertilizers. For Fiscal 2002, cash flow is expected to be sufficient to cover capital expenditures.

Capital expenditures remained at maintenance levels. For the three-month period, consolidated capital expenditures were \$5.0 million versus \$8.6 million in the second quarter of Fiscal 2001. Year-to-date capital expenditures totaled \$9.3 million versus \$17.4 million a year earlier.

The Pool generated \$22.8 million in divestiture proceeds in the three-month period bringing the year-to-date total to \$42.8 million. The Pool also divested its minority interests in a number of livestock investments generating approximately \$2.7 million this year. In addition, the Pool's elevator sales program generated approximately \$1.6 million in the quarter for a year-to-date total of \$6.4 million.

Working capital at January 31, 2002 was \$57.8 million, up from \$45.7 million at January 31, 2001. The current ratio was 1.15 at the end of the second quarter this year, which compared to 1.09 at January 31, 2001. Working capital is expected to increase by July 31, 2002, reflecting the seasonally strong fourth quarter agri-products business. Working capital at July 31, 2001 of \$127.9 million was unusually high because it included proceeds from the sale of Premium Brands Inc. The current ratio at July 31, 2001 was 1.31.

Accounts receivable at January 31, 2002 of \$157 million is presented net of amounts sold of \$47 million under trade receivable securitization programs. This compares to accounts receivables of \$241 million, net of \$13 million sold at January 31, 2001, and \$241 million net of \$162 million sold at July 31, 2001.

- The year-over-year decrease was due to a decline in agri-products sales in the fall as a result of the drought, divestitures and the collection of a one-time receivable this year. In addition, the Pool's new securitization program was in place at January 2002.
- The year-to-date decrease from July 2001 to January 2002 of \$84 million reflects seasonally high receivables at July 31 coupled with lower accounts receivables due to divestitures.

At January 31, 2002 inventories were down \$12.6 million compared to the January 31, 2001 level, primarily reflecting lower grain inventories offset somewhat by more agri-products inventory that remained in the system due to decreased demand resulting from fall drought conditions.

Short-term borrowings of \$24 million at January 31, 2002 and \$8 million at July 31, 2001 primarily consist of the Pool's share of affiliated companies' borrowings. The \$236 million of short-term borrowings outstanding at January 31, 2001 reflected the operating loans that were utilized prior to the renegotiated bank and securitization arrangement that was completed in the third quarter of Fiscal 2001.

	<u>Jan 31/02</u>	<u>July 31/01</u>	<u>Jan 31/01</u>	<u>Jan-02/Jan-01</u> <u>Change</u>
Bank indebtedness & short term borrowings	\$ 24M	\$ 8M	\$249M	\$(225)M
Members' demand loans	30M	35M	37M	(7)M
Long-term debt due in one year	132M	157M	22M	110M
Long-term debt	480M	549M	515M	(35)M
<b>Total debt</b>	<b>\$ 666M</b>	<b>\$ 749M</b>	<b>\$823M</b>	<b>\$(157)M</b>

Total debt at January 31, 2002 compared to January 2001 is down \$157 million reflecting the impact of the Pool's divestiture program and \$95 million in debt repayments made in November 2001.

	<u>Jan 31/02</u>	<u>July 31/01</u>	<u>Jan 31/01</u>	<u>Jan-02/Jan-01</u> <u>Change</u>
Total debt	\$666M	\$749M	\$823M	\$(157)M
Securitization	\$124M	\$238M	\$130M	\$ (6)M
<b>Consolidated debt and Securitization</b>	<b>\$790M</b>	<b>\$987M</b>	<b>\$953M</b>	<b>\$(163)M</b>

The Pool has reduced its maximum securitization financing requirements from \$325 million to \$152 million primarily as a result of the crop input financing initiative with Farm Credit Canada.

The Pool's total debt-to-equity ratio at January 31, 2002 was 59:41 compared to 61:39 at January 31, 2001 reflecting significant debt repayments offset somewhat by earnings declines this year. Subsequent to quarter-end, the Pool reduced its term loan facilities by \$45 million on February 28, 2002 as required under its banking arrangement. The Pool expects its debt-to-equity ratio to improve during Fiscal 2002 as it continues to repay a significant portion of its debt.

On March 1, 2002, the Dominion Bond Rating Service confirmed its rating of the Pool's Medium Term Notes and Senior Long-term Debt at a B (high) negative trend, citing the company's progress in elevator rationalization, cost reductions, stabilizing market share, assets sales and debt reduction. The rating service indicates that if progress continues as budgeted to year-end, the rating trend will be reviewed. The Pool's rating from Standard and Poors dated June 2001 is B+ with a stable trend.

## OUTLOOK

The remainder of the year will be challenging as the effects of last year's drought begin to impact the availability of grain. Dry moisture conditions throughout the Prairies this winter may also impact agri-products sales although rain through the spring period should alleviate this concern. Results from the Agri-food Processing segment should reflect poorer results from CanAmera, partially offset by strong improvements at Can-Oat Milling. Earnings and cash flows for the remainder of the year will be lower than last year's levels. Assuming a return to regular growing conditions in the spring, the Pool expects a good fourth quarter from its agri-products operations. Management remains committed to its divestiture program and its debt and cost reduction initiatives.

## EBITDA DATA

The EBITDA data provided herein is intended to provide further insight with respect to the Company's financial results and to supplement its earnings (loss) as determined in accordance with Canadian Generally Accepted Accounting Principles. Similar data may not be provided by other issuers and, if provided, needs to be carefully examined to determine whether it is comparable to the Company's EBITDA data.

## 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, 2002

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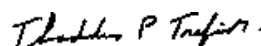
## CONSOLIDATED BALANCE SHEETS

	As at January 31		As at July 31
	2002	2001	2001
	(in thousands)		(in thousands)
	(unaudited)	(unaudited)	(audited)
		(restated)	
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 1,021	\$ -	\$ 13,238
Note receivable	5,000	-	5,000
Accounts receivable	156,562	240,663	241,410
Inventories	274,055	286,692	271,920
Prepaid expenses	10,454	9,230	13,055
	<b>447,092</b>	<b>536,585</b>	<b>544,623</b>
<b>Investments</b>	<b>11,017</b>	<b>70,946</b>	<b>13,838</b>
<b>Capital Assets</b>	<b>736,257</b>	<b>827,069</b>	<b>797,951</b>
<b>Other Long-Term Assets</b>	<b>192,478</b>	<b>137,748</b>	<b>186,485</b>
	<b>\$ 1,386,844</b>	<b>\$ 1,572,348</b>	<b>\$ 1,542,897</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Bank indebtedness	\$ -	\$ 13,184	\$ -
Short-term borrowings	23,521	235,712	8,080
Members' demand loans	30,460	37,155	35,204
Accounts payable	203,201	183,010	216,890
Long-term debt due within one year	132,123	21,794	156,514
	<b>389,305</b>	<b>490,855</b>	<b>416,688</b>
<b>Long-Term Debt</b>	<b>480,255</b>	<b>514,693</b>	<b>549,225</b>
<b>Other Long-Term Liabilities</b>	<b>57,426</b>	<b>45,759</b>	<b>75,685</b>
<b>Non-Controlling Interest</b>	<b>2,793</b>	<b>5,641</b>	<b>5,863</b>
	<b>929,779</b>	<b>1,056,948</b>	<b>1,047,461</b>
<b>Shareholders' Equity</b>			
Share capital	457,696	457,703	457,699
Retained Earnings/(Deficit)	(631)	57,697	37,737
	<b>457,065</b>	<b>515,400</b>	<b>495,436</b>
	<b>\$ 1,386,844</b>	<b>\$ 1,572,348</b>	<b>\$ 1,542,897</b>

On behalf of the Board of Directors



Marvin D. Wiens  
Director



Thaddeus P. Trefiak  
Director

**CONSOLIDATED STATEMENTS OF EARNINGS  
AND RETAINED EARNINGS**

	Three months ended January 31		Six months ended January 31	
	2002	2001	2002	2001
	(in thousands)		(in thousands)	
	(unaudited)	(unaudited) (restated)	(unaudited)	(unaudited) (restated)
<b>Sales and Other Operating Revenues</b>	\$ 774,064	\$ 827,085	\$ 1,447,402	\$ 1,618,886
<b>Cost of Sales and Expenses</b>				
Cost of sales and operating expenses	735,570	776,129	1,370,910	1,511,393
Selling and administrative expenses	21,127	25,988	42,481	50,669
Depreciation and amortization	18,793	19,168	36,553	37,943
Loss on disposals and impairment	22,723	13,323	17,440	13,323
	<b>798,213</b>	<b>834,608</b>	<b>1,467,384</b>	<b>1,613,328</b>
<b>Earnings (Loss) Before the Undernoted</b>	<b>(24,149)</b>	<b>(7,523)</b>	<b>(19,982)</b>	<b>5,558</b>
Equity earnings (loss) of significantly influenced companies	(24)	(2,490)	36	(3,039)
Non-controlling interest	336	(37)	630	45
<b>Earnings (Loss) Before Interest and Taxes</b>	<b>(23,837)</b>	<b>(10,050)</b>	<b>(19,316)</b>	<b>2,564</b>
Interest expense	14,934	16,584	32,846	32,293
Securitization fees and expense	1,862	2,201	5,614	6,460
<b>Earnings (Loss) Before Corporate Taxes</b>	<b>(40,633)</b>	<b>(28,835)</b>	<b>(57,776)</b>	<b>(36,189)</b>
Recovery of corporate taxes	14,659	10,329	19,408	12,051
<b>Net Earnings (Loss)</b>	<b>(25,974)</b>	<b>(18,506)</b>	<b>(38,368)</b>	<b>(24,138)</b>
<b>Retained Earnings, Beginning of Period</b>				
As previously reported	25,343	76,203	37,737	85,900
Changes in accounting policies				
Income taxes	-	-	-	1,940
Revenue recognition	-	-	-	(6,005)
As restated	<b>25,343</b>	<b>76,203</b>	<b>37,737</b>	<b>81,835</b>
<b>Retained Earnings/(Deficit), End of Period</b>	\$ (631)	\$ 57,697	\$ (631)	\$ 57,697
<b>Earnings (Loss) Per Share</b>	\$ (0.69)	\$ (0.49)	\$ (1.03)	\$ (0.64)

**SALES AND OPERATING REVENUE BY SEGMENT**

	Three months ended January 31		Six months ended January 31	
	2002	2001	2002	2001
	(in thousands)		(in thousands)	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>SALES</b>				
Grain Handling and Marketing	\$ 526,622	\$ 535,277	\$ 967,262	\$ 1,038,087
Agri-products	64,275	75,754	117,228	165,235
Agri-food Processing	162,620	154,027	322,400	306,868
Livestock Production and Marketing	26,134	71,661	54,609	127,404
Publishing and Other	2,217	3,473	5,112	6,640
Intersegment Sales	(7,804)	(13,107)	(19,209)	(25,348)
	<b>\$ 774,064</b>	<b>\$ 827,085</b>	<b>\$ 1,447,402</b>	<b>\$ 1,618,886</b>

## SEGMENT EARNINGS FROM OPERATIONS

	Three months ended January 31 2002 (in thousands) (unaudited)				Three months ended January 31 2001 (in thousands) (unaudited) (restated)			
	EBITDA	D&A	Provisions	EBIT	EBITDA	D&A	Provisions	EBIT
Grain Handling and Marketing	\$ 11,250	\$ 8,570	\$ -	\$ 2,680	\$ 10,440	\$ 8,696	\$ 12,153	\$ (10,409)
Agri-products	568	3,155	-	(2,587)	3,234	2,897	-	337
Agri-food Processing	10,558	4,286	21,479	(15,207)	6,427	4,337	-	2,090
Livestock Production and Marketing	(57)	2,420	12,278	(14,755)	6,160	2,852	-	3,308
Publishing and Other	186	57	(11,034)	11,163	645	94	-	551
<b>Segment Results</b>	<b>22,505</b>	<b>18,488</b>	<b>22,723</b>	<b>(18,706)</b>	<b>26,906</b>	<b>18,876</b>	<b>12,153</b>	<b>(4,123)</b>
Reconciling differences:								
Corporate Expenses	(4,827)	305	-	(5,132)	(6,200)	292	1,170	(7,662)
Tax Provision on Equity Earnings	1	-	-	1	1,735	-	-	1,735
<b>Per Financial Statements</b>	<b>\$ 17,679</b>	<b>\$ 18,793</b>	<b>\$ 22,723</b>	<b>\$ (23,837)</b>	<b>\$ 22,441</b>	<b>\$ 19,168</b>	<b>\$ 13,323</b>	<b>\$ (10,050)</b>

## SEGMENT EARNINGS FROM OPERATIONS

	Six months ended January 31 2002 (in thousands) (unaudited)				Six months ended January 31 2001 (in thousands) (unaudited) (restated)			
	EBITDA	D&A	Provisions	EBIT	EBITDA	D&A	Provisions	EBIT
Grain Handling and Marketing	\$ 22,069	\$ 16,196	\$ -	\$ 5,873	\$ 24,374	\$ 17,185	\$ 12,153	\$ (4,964)
Agri-products	(159)	6,026	-	(6,185)	6,230	5,702	-	528
Agri-food Processing	18,177	8,560	21,479	(11,862)	18,485	8,510	-	9,975
Livestock Production and Marketing	2,910	5,014	6,995	(9,099)	11,360	5,673	-	5,687
Publishing and Other	589	142	(11,034)	11,481	1,131	193	-	938
<b>Segment Results</b>	<b>43,586</b>	<b>35,938</b>	<b>17,440</b>	<b>(9,792)</b>	<b>61,580</b>	<b>37,263</b>	<b>12,153</b>	<b>12,164</b>
Reconciling differences:								
Corporate Expenses	(8,909)	615	-	(9,524)	(10,190)	680	1,170	(12,040)
Tax Provision on Equity Earnings	-	-	-	-	2,440	-	-	2,440
<b>Per Financial Statements</b>	<b>\$ 34,677</b>	<b>\$ 36,553</b>	<b>\$ 17,440</b>	<b>\$ (19,316)</b>	<b>\$ 53,830</b>	<b>\$ 37,943</b>	<b>\$ 13,323</b>	<b>\$ 2,564</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended January 31		Six months ended January 31	
	2002	2001	2002	2001
	(in thousands)		(in thousands)	
	(unaudited)		(unaudited)	
	(restated)		(restated)	
<b>CASH FROM (USED IN) OPERATING ACTIVITIES:</b>				
Net loss	\$ (25,974)	\$ (18,506)	\$ (38,368)	\$ (24,138)
Add/(deduct) items not involving cash				
Depreciation and amortization	18,793	19,168	36,553	37,943
Loss on disposals and impairment	22,723	13,323	17,440	13,323
Future taxes (recovery)	(15,882)	(12,932)	(21,605)	(14,306)
Equity (earnings)/loss of significantly influenced companies	24	2,490	(36)	3,039
Bank refinancing amortization	3,297	-	6,689	-
Pension and other items	(1,303)	(1,667)	(4,813)	(1,444)
Non-controlling interest	(336)	37	(630)	(45)
Cash flow from (used in) operations	<u>1,342</u>	<u>1,913</u>	<u>(4,770)</u>	<u>14,372</u>
Changes in non-cash working capital items				
Accounts receivable	201,243	135,003	188,891	205,317
Securitization of accounts receivable	(86,248)	-	(115,176)	(209,983)
Inventories	43,037	(37,365)	(10,498)	(33,552)
Securitization of inventories	(2,541)	32,998	965	6,233
Accounts payable	(58,398)	(165,829)	(30,421)	(62,037)
Prepaid expenses	3,055	4,508	1,746	7,544
Changes in non-cash working capital	<u>100,148</u>	<u>(30,685)</u>	<u>35,507</u>	<u>(86,478)</u>
Cash from (used in) operating activities	<u>101,490</u>	<u>(28,772)</u>	<u>30,737</u>	<u>(72,106)</u>
<b>CASH FROM (USED IN) FINANCING ACTIVITIES:</b>				
Proceeds of long-term debt	4,300	138	4,985	6,469
Repayment of long-term debt	(97,351)	(16,751)	(98,612)	(18,471)
Proceeds (repayment) of short-term borrowings	5,411	(43,837)	15,441	94,134
Proceeds (repayment) of members' demand loans	67	(833)	(4,744)	(11,679)
(Decrease) increase in other long-term liabilities	(1,306)	2,537	(1,413)	2,559
Amounts received from minority interest parties of a subsidiary	-	129	-	129
Decrease in share capital	(1)	(3)	(3)	(9)
Cash (used in) from financing activities	<u>(88,880)</u>	<u>(58,620)</u>	<u>(84,346)</u>	<u>73,132</u>
<b>CASH FROM (USED IN) INVESTING ACTIVITIES:</b>				
Capital asset expenditures	(5,022)	(8,603)	(9,298)	(17,419)
Proceeds on sale of capital assets	1,612	4,940	6,367	4,940
Divestitures	22,795	11,000	42,759	11,000
Decrease in investments	2,385	369	2,479	1,210
Decrease (increase) in other long-term assets	132	(3,424)	(915)	(4,743)
Cash from (used in) investing activities	<u>21,902</u>	<u>4,282</u>	<u>41,392</u>	<u>(5,012)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>34,512</b>	<b>(83,110)</b>	<b>(12,217)</b>	<b>(3,986)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>(33,491)</b>	<b>69,926</b>	<b>13,238</b>	<b>(9,198)</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 1,021</b>	<b>\$ (13,184)</b>	<b>\$ 1,021</b>	<b>\$ (13,184)</b>
<b>CASH FLOW PER SHARE</b>	<b>\$ 0.04</b>	<b>\$ 0.05</b>	<b>\$ (0.13)</b>	<b>\$ 0.38</b>
Supplemental disclosure of cash (paid) recovered during the period:				
Interest	(11,423)	(17,873)	(24,590)	(31,994)
Income Taxes	22,721	11,746	22,474	11,547

Cash and cash equivalents are comprised of cash and bank indebtedness.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies are in accordance with Canadian generally accepted accounting principles. 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. LOSS ON DISPOSALS AND IMPAIRMENT/SUBSEQUENT EVENT

Items in this grouping are as follows:

	January 2002	January 2001
a) Gain on sale of assets of Heartland Livestock Services	\$(5,283)	\$ -
b) Loss on sale of assets of Heartland Feeds	12,278	-
c) Gain on sale of Western Producer Publications Division	(11,034)	-
d) Impairment in asset value of CSP Foods Division	21,479	-
e) Corporate restructuring and Grain and Agri-products system consolidation	-	13,323
<b>Total Pre-Tax</b>	<b>\$17,440</b>	<b>\$13,323</b>
<b>Total After-Tax</b>	<b>\$ 9,901</b>	<b>\$ 7,594</b>

- (a) On September 21, 2001, the company sold its Heartland Livestock Services assets effective August 1, 2001, for net cash proceeds of \$20.0 million and a short-term receivable of \$4.0 million which will be collected after satisfying certain conditions of the sale. The company recorded a gain on sale of assets of \$5.3 million in its quarter-ended October 31, 2001.
- (b) On November 26, 2001, the company sold a portion of its Heartland Feeds assets for net proceeds of \$11.2 million. The company recorded a loss on sale of assets of \$12.3 million.
- (c) On January 9, 2002, the company sold a portion of its Western Producer Publications division for net proceeds of \$11.6 million. The company recorded a gain on sale of assets of \$11.0 million.
- (d) On February 25, 2002, subsequent to the end of the quarter, the company sold substantially all of its CSP Foods division for net cash proceeds at closing of \$33.9 million. For the January quarter-end, the company recorded an impairment in the value of assets of \$21.5 million.

### 3. LONG-TERM DEBT

Saskatchewan Wheat Pool entered into bank credit facilities with its lenders with the following terms and conditions:

	<u>Amount of Facility</u>	<u>Maturity Date</u>	<u>Repayments</u>
Operating Loan	\$ 107.5 million	November 30, 2002	--
Term Loans	\$ 250.0 million	November 30, 2003	\$40 million February 28, 2002; \$5 million per quarter commencing August 31, 2001, \$60 million November 30, 2002; \$110 million November 30, 2003

In addition the company has access to a seasonal operating loan of up to \$100 million during certain periods between April 2001 through November 2002.

Details on consolidated short-term borrowings and long-term debt are as follows:

	January 2002	January 2001	July 2001
SHORT-TERM BORROWINGS			
Bank operating loan	\$11,500	\$233,000	\$ -
Subsidiaries and proportionate share of joint ventures' short-term borrowings	12,021	2,712	8,080
<b>Total</b>	<b>\$23,521</b>	<b>\$235,712</b>	<b>\$8,080</b>
LONG-TERM DEBT			
Medium-term notes	\$300,000	\$300,000	\$300,000
Bank term loans	250,000	159,000	344,100
Members' term loans	9,240	9,829	9,059
Subsidiaries and proportionate share of joint ventures' debt	53,138	67,658	52,580
	612,378	536,487	705,739
PORTION DUE WITHIN ONE YEAR			
Bank term loans	120,000	-	144,100
Members' term loans	1,673	1,197	1,613
Subsidiaries and proportionate share of joint ventures' debt	10,450	20,597	10,801
	132,123	21,794	156,514
<b>TOTAL</b>	<b>\$480,255</b>	<b>\$514,693</b>	<b>\$549,225</b>

#### 4. EARNINGS PER SHARE

Earnings per share are calculated using 37,425,219 Class "B" non-voting shares (January 31, 2001 – 37,425,219) which is the weighted average number issued and outstanding during the period. Fully diluted earnings per share, which includes 2,883,950 options for Class "B" non-voting shares (January 31, 2001 - 2,849,311), are identical to basic earnings per share.

#### 5. SECURITIZATION

On April 30, 2001, the company signed a new securitization agreement with a trust, and adopted the recommendations of Accounting Guideline 12 (AcG-12) to account for the initial and each subsequent sale of assets under this agreement. Prior to April 2001, the company's securitization program was accounted for under the accounting recommendations of Emerging Issues Committee Abstract 9 (EIC-9).

Under the terms of the new securitization agreement, the company maintains the ability to sell two pools of assets on a revolving basis through securitization transactions at varying monthly limits. The "trade receivable pool" consists of commercial and agri-products trade receivables at monthly sales limits ranging from \$70 million to \$205 million. The "CWB grain pool" consists of the right to receive proceeds related to grain held for sale to the Canadian Wheat Board in accordance with a grain handling contract. Monthly sales limits for the "CWB grain pool" range from \$90 million to \$120 million. In addition, a joint venture, which is owned one-third by the company can sell up to \$60 million of certain trade accounts receivable.

At January 31, 2002, the trade accounts receivable are reported net of sold amounts of \$46.9 million (2001 – \$13.4 million) while grain purchased for sale to The Canadian Wheat Board is reported net of sold amounts of \$77.3 million (2001 - \$117.0 million).

In February 2002, subsequent to the quarter-end, the company revised its monthly securitization sales limits. Revised limits for the "trade receivable pool" range from \$47 million to \$72 million, while revised limits for the "CWB grain pool" range from \$80 million to \$95 million.