



# SASKATCHEWAN WHEAT POOL

## 3RD QUARTER REPORT – APRIL 30, 2002

### LETTER TO SHAREHOLDERS

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#### WITHSTANDING THE WEATHER

Severe drought during the summer of 2001 and prolonged dryness in Saskatchewan through the spring period this year took its toll on the Pool's core operation in the third quarter of fiscal 2002. Despite the difficulties presented by weather, the Pool remained committed to managing those areas within its control. During the past two years, the Pool has worked aggressively to reduce the leverage of the organization and to focus on enhancing its core operations. The weather has not co-operated and margins and volumes have suffered. We have been extremely successful, however, in significantly reducing our cost structure. As well, we have captured in excess of \$200 million in the sale of non-core assets over the past 24 months. The Pool has virtually completed its previously announced restructuring efforts and will be further assessing the valuation of its ongoing core assets at year-end based on their performance for the full year.

#### **Achievements:**

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

- On February 28, 2002 the Pool repaid \$45 million of its term loan facility.
- Balance sheet debt at April 30, 2002 declined \$168.5 million or over 20% compared to April 30, 2001.
- Subsequent to quarter-end, Saskatchewan Wheat Pool finalized the sale of its one-third interest in CanAmera Foods to Central Soya Canada. The transaction closed 2 months ahead of schedule and generated proceeds of approximately \$59 million.

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

- In total, the Pool's core operations reduced operating costs by \$25 million during the first nine months of this year. The company has significantly exceeded its original expectations associated with its restructuring efforts and over the last 24 months has reduced costs by over \$50 million.

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

- Western Canadian market share approached 23% for the first nine months of the year. This accomplishment is significant given that last year's drought and corresponding production declines were much more pronounced in Saskatchewan, where the majority of Pool facilities are located.
- The Pool exceeded its 90% annual target for loading multi-car unit trains hitting 92% during the period. This compared to 78% last year and 62% the previous year.
- Drought-affected grain shipments through the Pool's primary elevator system declined by only 7.4% in the first nine months of fiscal 2002 which compares favourably to industry shipments which were down by 21% for the period.
- On June 5, 2002, as part of the Company's enterprise risk management initiative, the Pool announced a multi-year, grain volume insurance program that improves the earnings stability of its core business in years of poor grain volumes. In the event of significant volume declines, the program provides funds to partially offset the corresponding drop in earnings.

## **SUMMARY OF CONSOLIDATED RESULTS:**

Saskatchewan Wheat Pool recorded consolidated sales and operating revenues in the three month period of \$549.8 million compared to \$682.7 million last year. \$87.9 million of the variance relates to sales from companies that have been sold through the company's divestiture initiative. Year-to-date sales were \$2.0 billion compared to \$2.3 billion in the same period last year.

Earnings before interest, securitization, taxes, depreciation and amortization (EBITDA) for the third quarter were \$2.7 million compared to \$26.2 million in the previous year's quarter. Year-to-date EBITDA was \$37.4 million compared to \$80.1 million a year earlier. Drought conditions throughout western Canada have persisted since the summer of 2001, particularly in Saskatchewan, resulting in an EBITDA decline of approximately \$30 million. This, coupled with a year-over-year net reduction of approximately \$13 million in EBITDA generated by businesses that have since been sold, overshadowed the Pool's success in reducing costs and continued strong results generated by Can-Oat Milling and Prairie Malt Limited.

Depreciation and amortization for the quarter was \$17.4 million, \$2 million below the \$19.4 million recorded in the third quarter last year. For the nine-month period, depreciation and amortization was \$53.9 million versus \$57.4 million last year.

The third quarter operating loss, prior to interest, securitization and taxes (EBIT) and one-time items was \$14.7 million compared to earnings of \$6.8 million a year earlier. On a year-to-date basis, EBIT was a loss of \$16.6 million compared to earnings of \$22.7 million last year.

Interest and securitization costs decreased \$3.1 million to \$14.4 million in the quarter, after excluding \$7.4 million in fees associated with setting up the new securitization program last year. On a year-to-date basis, interest and securitization expenses were \$52.9 million compared to \$63.7 million a year earlier. The impact of lower interest rates and declining debt levels were somewhat offset by the amortization of bank fees at a rate of approximately \$1 million per month over the life of the Pool's financing arrangements. The Pool expects interest and securitization expenses to continue to drop in the fourth quarter as debt declines and the new agri-products financing program funded by Farm Credit Canada ramps up.

The Pool recorded a \$7.8 million gain in the quarter for its share of land sold by its joint venture, Western Co-operative Fertilizers Limited.

For the third quarter of Fiscal 2002, the Pool's loss, prior to the gain on sale was \$18.7 million or \$0.50 per share compared to a \$9.9 million loss in the third quarter of fiscal 2001. The impact of drought conditions, the extent of which has not been experienced since the 1930's, took hold in the third quarter. The Company results reflect a shortage of grain stocks and slow agri-product sales due to unusually dry spring conditions and a delay in spring seeding.

On a year-to-date basis, the pre-provision loss was \$47.2 million or \$1.26 per share compared to a \$26.4 million loss last year or \$0.71 per share.

The consolidated net loss for the quarter was \$12.7 million or \$0.34 per share compared to an \$9.9 million loss or \$0.26 per share in the third quarter of Fiscal 2001. On a year-to-date basis, the net loss was \$51.1 million (\$1.36 per share) compared to a \$34.0 million loss (\$0.91 per share) for the same period last year. The Fiscal 2002 net loss includes \$3.9 million in one-time after tax provisions from the sale of non-core assets.

### **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 April 30, 2002.

#### **DIVESTITURES:**

##### **Agri-Food Processing**

Premium Brands - July 2001  
CSP Foods - February 2002

##### **Livestock Production and Marketing**

Heartland Livestock - August 2001  
Heartland Feeds (4 mills) - November 2001

##### **Publishing and Other**

Western Producer - January 2002

	<u>3<sup>rd</sup> Quarter</u>		<u>Year-to-date</u>	
	<b>Fiscal 2002</b>	<b>Fiscal 2001</b>	<b>Fiscal 2002</b>	<b>Fiscal 2001</b>
Consolidated sales	\$549.8M	\$ 682.7M	\$1,997.2M	\$2,301.6M
Less Sales from divested assets				
Agri-food Processing	10.2M	37.3M	91.2M	120.2M
Livestock Production & Mktg.	0.0M	54.8M	13.4M	140.9M
Publishing & Other	<u>0.0M</u>	<u>6.0M</u>	<u>5.1M</u>	<u>12.7M</u>
Sales from remaining operations	\$539.6M	\$ 584.6M	\$1,887.5M	\$2,027.8M
Consolidated EBITDA	\$ 2.7M	\$ 26.2M	\$ 37.4M	\$ 80.1M
Less EBITDA from divested assets				
Agri-food Processing	0.5M	7.1M	4.9M	8.6M
Livestock Production & Mktg.	0.0M	2.8M	0.8M	7.1M
Publishing & Other	<u>0.0M</u>	<u>2.5M</u>	<u>0.6M</u>	<u>3.6M</u>
EBITDA from remaining operations	\$ 2.2M	\$ 13.8M	\$ 31.1M	\$ 60.8M
Consolidated EBIT	\$ (14.7M)	\$ 6.8M	\$ (16.6M)	\$ 22.7M
Less EBIT from divested assets				
Agri-food Processing	0.2M	6.2M	2.9M	6.0M
Livestock Production & Mktg.	0.0M	2.1M	0.4M	5.6M
Publishing & Other	<u>0.0M</u>	<u>2.4M</u>	<u>0.5M</u>	<u>3.3M</u>
EBIT from remaining operations	\$ (14.9M)	\$ (3.9M)	\$ (20.4M)	\$ 7.8M

## SEGMENT RESULTS:

### GRAIN HANDLING AND MARKETING

The Pool's primary shipments for the third quarter of Fiscal 2002 were 1.5 million tonnes for a total to date of 5.7 million tonnes. Shipments were only 7.4% below last year's level in spite of severe volume declines, which were most pronounced in Saskatchewan. Approximately 58% of grain shipped by the Pool was for the account of the CWB, up from 56% for the same period last year. The Pool's performance in the first nine months compares favourably with the rest of the Canadian grain industry.

#### Year-over-year Change

<u>Shipments</u>	<b>Industry</b>	<b>SWP</b>
6 Major grains	-21%	-7%
CWB grains	-14%	-4%

Volumes shipped through the Pool's wholly owned port terminals were 2.6 million tonnes down from 3.0 million tonnes in the first nine months of last year. The primary factor continued to be the lack of canola stocks available for export due to dramatic production declines from last year's drought. The Pool's Vancouver terminal continued to outperform the industry despite significantly lower levels of grain available for export. Vancouver terminal volumes were off only 9.7% while the industry was down sharply with a 21% decline in the six major grains moving through that port. The Pool's terminal volumes at Thunder Bay were down 22.7% while industry receipts for the six major grains were down 10%. The variance reflects the CWB's decision to move more of its program through Mission Terminals and direct hit facilities in Thunder Bay as well as direct rail to terminals in the St. Lawrence seaway.

The Pool's share of volumes through port terminal affiliates was approximately half of the previous year's movement of 1.2 million tonnes reflecting the Pool's decision to maximize Vancouver by limiting volumes to third party terminals.

<b>Nine Month Volumes to April 30 (000's of tonnes)</b>			
	<b>Increase (Decrease)</b>	<b>F2002</b>	<b>F2001</b>
Primary Elevator Shipments	-7.4%	5,698	6,151
Terminal Operations			
Vancouver	- 9.7%	1,766	1,955
Thunder Bay	-22.7%	799	1,033
Share of Affiliates	-49.7%	580	1,153
<b>Total Terminal Operations</b>	<b>-24.1%</b>	<b>3,145</b>	<b>4,141</b>

For the third quarter of Fiscal 2002, the Grain Handling and Marketing segment generated EBITDA of \$(1.0) million compared to \$7.8 million in the third quarter last year. EBIT was \$(9.5) million in the third quarter compared to \$(1.7) million last year. The decrease was attributed to an 18% decline in volumes during the quarter and lower margins. On a year-to-date basis, EBITDA was \$21.1 million compared to \$32.1 million a year earlier. EBIT was \$(3.6) million compared to \$5.5 million in the first nine months of Fiscal 2001. Last summer's drought caused significant declines in the production of high margin commodities like canola and special crops. As a result, the Pool's volumes reflect a higher proportion of lower margin products. Despite the difficulties presented by weather, the Pool's core operations were primarily responsible for the significant cost reductions that have been achieved to date.

Looking forward, the Company expects exports to decline significantly this year because of low production levels from last year's drought. As a result, wholly owned port terminal volumes are expected to be lower than last year's levels. In the primary business, the Pool has been able to maximize volumes in the first nine months but expects significant reductions in the fourth quarter as stocks deplete. The lack of higher valued commodities in the system and increased pressure as competition for remaining stocks accelerates, is expected to reduce EBITDA from grain handling and marketing to less than half of last year's level by July 31.

#### **AGRI-PRODUCTS**

Sales for this segment in the third quarter were \$33.8 million compared to \$61.5 million a year earlier. For the nine-month period, sales totaled \$151.0 million compared to \$226.7 million last year. The Prairies have seen poor moisture levels since last year and topsoil moisture has been depleted, particularly in central and northern Saskatchewan. In addition, unusually cold weather throughout western Canada in April kept producers off the land. As a result, spring sales, which would have typically begun in April, were delayed until after quarter-end impacting results for both the Pool's retail operations and Western Cooperative Fertilizers, its joint venture affiliate.

Volumes of seed, crop protection and equipment sales are down relative to last year as a result of the late spring. In addition, rising 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. The company is in the midst of rationalizing its equipment product lines in an effort to maximize earnings and improve working capital utilization within its agri-products operation.

EBITDA for the three months was \$(2.9) million compared to \$3.1 million in the third quarter last year. On a year-to-date basis, EBITDA was \$(3.0) million which compares to \$9.3 million in the first nine months last year. EBIT for the third quarter was \$(5.5) million prior to provisions versus \$0.5 million in the third quarter last year while year-to-date EBIT was \$(11.7) million versus \$1.1 million in the first nine months of Fiscal 2002.

The most significant variance in year-to-date results is associated with traditionally strong, Western Co-operative Fertilizers, which continues to suffer from lower sales volumes and decreased selling prices for urea and ammonia. Declines from the Pool's operation were primarily related to the timing of sales. The Pool's agri-products units were again successful in contributing to the overall cost reduction achievements of the corporation.

Dry conditions across much of the Prairies pose a significant risk to the achievement of agri-products sales targets in the fourth quarter. Approximately 37% of western Canada have received less than 50% of normal spring precipitation to date. As a result, producers have shifted from seeding special crops and canola to cereal grains like wheat and barley, which can be seeded more deeply and require less crop inputs. Seeding, fertilizing, and crop protection use will occur in a compressed timeframe across all markets and will require significant sales and logistical coordination.

Expectations for this year have been adjusted to reflect the late spring and switch to crops that require fewer inputs. Above average precipitation will be positive for the growing season but may now be too late to ensure an average sized crop. As a result, the Agri-Products segment is not expected to reach the sales or EBITDA levels of the previous year. The company will remain focussed on initiatives within its control including cost reduction strategies, new inventory management options, and growing its customer base through innovative strategies such as the new agri-products financing program.

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

Sales for this segment in the third quarter of Fiscal 2002 were \$125.7 million compared to \$148.2 million in the third quarter last year. Year-to-date sales totaled \$448.1 million compared to \$455.1 million in the first nine months last year. The primary reason for the sales variance relates to the divestiture of agri-food processing assets that are no longer contributing to segment results. Can-Oat Milling sales increased in the first nine months of the year, largely offsetting declines at CanAmera Foods, and the portion of sales included in this year's results from CSP Foods.

EBITDA for the Agri-food Processing segment were \$7.9 million bringing the year-to-date total to \$26.0 million compared to \$33.0 million recorded in the first nine months of last year. EBIT was \$4.2 million in the third quarter of Fiscal 2002 compared to \$10.3 million last year. On a year-to-date basis EBIT was \$13.8 million compared to \$20.2 million last year.

Can-Oat Milling continued with record results generating substantial EBITDA growth in the quarter and first nine months of the year. Prairie Malt also strengthened results for the period. CanAmera's contribution improved slightly in the quarter but remained sharply lower than the previous year reflecting dramatic reductions in Canadian canola supplies and higher seed prices.

Significant improvements at Can-Oat are expected to continue in the fourth quarter and the Company expects Can-Oat's sales and EBITDA growth to remain in the double-digit category for the year. Prairie Malt is also expected to have a solid year. From a segment perspective, the variances on a year-over-year basis will primarily relate to lower results from the Pool's share of CanAmera Foods, which has suffered due to drought conditions, along with sales and EBITDA variances resulting from the divestiture program this year.

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

Sales for this segment for the third quarter of Fiscal 2002 were \$21.4 million versus \$66.0 million in the third quarter of Fiscal 2001, reflecting the sale of Heartland Livestock Services, four feed mills and a retail operation.

EBITDA for the quarter was \$3.3 million bringing the year to date total to \$6.3 million versus \$16.5 million in the first nine months last year. The decrease primarily reflects asset dispositions and lower results from Heartland Pork and the aquaculture operation. EBIT was \$1.1 million for the three months compared to \$2.4 million in last year's third quarter. Year-to-date EBIT was a loss of \$1.0 million versus earnings of \$8.0 million a year earlier.

Heartland Pork generated an 8% increase in year-to-date sales driven by an increase in the number of finished hogs marketed to 264,000 from 254,000 last year. EBITDA and EBIT for the third quarter are on par with the prior year while on a year-to-date basis, are slightly lower than last year. Reduced gross margins in the first nine months reflect higher feed costs, which have outstripped sales price increases. Even though hog prices are trending downward and feed prices remain high due to strong demand, Heartland Pork is working to reduce the full year variance by taking advantage of new hedging practices and increasing the number of hogs they market.

The aquaculture operation continued to experience lower prices due to excess supplies of fish in the market, however, market prices are improving and a slight recovery may begin in the fourth quarter.

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

Cash used in operations during the third quarter was \$13.3 million, or \$0.35 per share compared to \$7.5 million or \$0.20 per share in the third quarter last year. For the first nine months of Fiscal 2002, cash flow used in operations was \$18.0 million compared to cash flow from operations of \$6.8 million for the same period last year. The decline in cash flow largely reflects lower operating results due to continuing drought conditions during the period. For Fiscal 2002, cash flow is expected to be lower than previously anticipated.

Capital expenditures remained at maintenance levels. For the three-month period, consolidated capital expenditures were \$2.2 million versus \$3.0 million in the third quarter of Fiscal 2001. Year-to-date capital expenditures totaled \$11.5 million versus \$20.4 million a year earlier.

The Pool generated \$42.5 million in divestiture proceeds in the three-month period bringing the year-to-date total to \$85.3 million, which includes divestiture of the Pool's interests in Heartland Livestock Services, Heartland Feeds, Western Producer Publications division, CSP Foods division and a parcel of land sold through a joint venture affiliate. In addition, the Pool's elevator sales program generated approximately \$2.9 million in the third quarter bringing the year-to-date total to \$9.2 million.

Working capital at April 30, 2002 was \$51 million, down from \$53 million at April 30, 2001. The current ratio was 1.11 at the end of the third quarter this year, which compared to 1.10 for the same period last year. Working capital is expected to increase by July 31, 2002, primarily reflecting 4<sup>th</sup> quarter operating earnings and the sale of the Pool's interest in CanAmera Foods.

Working capital at July 31, 2001 of \$128 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 April 30, 2002 of \$149 million is presented net of amounts sold of \$32 million under trade receivable securitization programs. This compares to accounts receivables of \$249 million, net of \$13 million sold at April 30, 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 as a result of the continuing dryness in Saskatchewan, combined with the impacts of the Pool's new crop financing initiative with Farm Credit Canada and the divestiture program. In addition, the Pool's new securitization program was in place at April 2002.

The year-to-date decrease from July 2001 to April 2002 of \$92 million reflects seasonally high receivables at July 31 coupled with lower accounts receivables due to divestitures.

At April 30, 2002 inventories were down \$5 million compared to the April 30, 2001 level, primarily reflecting the impact of the divestiture program partially offset by higher agri-products inventory as a result of delayed spring seeding. The year-to-date increase of \$60 million primarily reflects seasonally high levels of agri-products inventory partially offset by divestitures during Fiscal 2002.

Accounts payable of \$257 million at the end of the third quarter were \$5 million higher than April 30, 2001, and \$40 million higher than July 31, 2001. These changes are largely due to the impact of changes in the level of agri-products inventory, somewhat offset by lower cash tickets and accounts payable of divested businesses.

Bank indebtedness and short-term borrowings of \$69 million at April 30, 2002 and \$86 million at April 30, 2001 reflect operating loans under the Pool's bank credit facilities and the Pool's share of affiliated companies' borrowings. Short-term borrowings of \$8 million at July 31, 2001 consist of the Pool's share of affiliated companies' borrowings.

	<u>Apr 30/02</u>	<u>July 31/01</u>	<u>Apr 30/01</u>	<u>Apr-02/Apr-01 Change</u>
Bank indebtedness & short term borrowings	\$ 69M	\$ 8M	\$ 86M	\$( 17M)
Member demand loans	27M	35M	34M	(7M)
Long-term debt due in one year	92M	157M	169M	(77M)
Other long-term debt	475M	549M	543M	(68M)
<b>Total debt</b>	<b>\$ 663M</b>	<b>\$ 749M</b>	<b>\$832M</b>	<b>(\$169M)</b>

Total debt at April 30, 2002 compared to the prior year is down \$169 million reflecting \$145 million in term debt repayments made this year primarily with proceeds generated through the Pool's divestiture program.

	<u>Apr 30/02</u>	<u>July 31/01</u>	<u>Apr 30/01</u>	<u>Apr-02/Apr-01 Change</u>
Total debt	\$663M	\$749M	\$832M	(\$169M)
Securitization	\$112M	\$238M	\$108M	\$ 4M
<b>Consolidated debt, and Securitization</b>	<b>\$775M</b>	<b>\$987M</b>	<b>\$940M</b>	<b>(\$165M)</b>

The Pool's total debt-to-equity ratio at April 30, 2002 was 60:40 compared to 62:38 at April 30, 2001 reflecting significant debt repayments partially offset by the earnings decline this year. During the quarter, the Pool reduced its term loan facilities by \$45 million. Subsequent to the quarter end, the Pool further reduced its term loan facilities by \$5 million. The Pool expects its debt-to-equity ratio to continue to improve in Fiscal 2002 as it completes the fourth quarter. In addition, the Pool received cash proceeds of approximately \$59 million from the sale of its interest in CanAmEra Foods subsequent to the end of the third quarter, two months ahead of schedule.

## OUTLOOK

The remainder of the year will be difficult for the Pool's core operations given the significant impact of last year's drought on volume levels and the results of the prolonged dry weather throughout much of Saskatchewan on agri-products sales this year. The Company also notes that EBITDA declines for the year will be more pronounced due to the Pool's divestiture program. The Pool does expect, however, that consolidated EBITDA will cover interest and securitization costs for the year. Despite the weather, the Pool remains focussed on the events within its control, exploring opportunities to further mitigate risk and strengthen the organization for the benefit of shareholders and customers over the long-term.

## 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

June 14, 2002

Saskatchewan Wheat Pool  
2625 Victoria Avenue  
Regina, Saskatchewan  
S4T 7T9  
<http://www.swp.com>

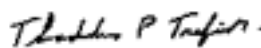
## CONSOLIDATED BALANCE SHEETS

	As at April 30		As at July 31
	2002	2001	2001
	(in thousands)		(in thousands)
	(unaudited)	(unaudited)	(audited)
		(restated)	
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ -	\$ -	\$ 13,238
Note receivable	5,000	-	5,000
Accounts receivable	149,303	249,436	241,410
Inventories	331,661	336,587	271,920
Prepaid expenses	9,823	7,266	13,055
	<b>495,787</b>	<b>593,289</b>	<b>544,623</b>
<b>Investments</b>	<b>10,551</b>	<b>76,587</b>	<b>13,838</b>
<b>Property, Plant and Equipment</b>	<b>715,996</b>	<b>812,850</b>	<b>797,951</b>
<b>Other Long-Term Assets</b>	<b>202,563</b>	<b>188,641</b>	<b>186,485</b>
	<b>\$ 1,424,897</b>	<b>\$ 1,671,367</b>	<b>\$ 1,542,897</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Bank indebtedness	\$ 35,775	\$ 8,730	\$ -
Short-term borrowings	33,349	76,776	8,080
Members' demand loans	26,717	34,334	35,204
Accounts payable	256,507	252,086	216,890
Long-term debt due within one year	92,533	168,719	156,514
	<b>444,881</b>	<b>540,645</b>	<b>416,688</b>
<b>Long-Term Debt</b>	<b>474,673</b>	<b>543,001</b>	<b>549,225</b>
<b>Other Long-Term Liabilities</b>	<b>58,216</b>	<b>76,413</b>	<b>75,685</b>
<b>Non-Controlling Interest</b>	<b>2,757</b>	<b>5,808</b>	<b>5,863</b>
	<b>980,527</b>	<b>1,165,867</b>	<b>1,047,461</b>
<b>Shareholders' Equity</b>			
Share capital	457,697	457,701	457,699
Retained Earnings/(Deficit)	(13,327)	47,799	37,737
	<b>444,370</b>	<b>505,500</b>	<b>495,436</b>
	<b>\$ 1,424,897</b>	<b>\$ 1,671,367</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		Nine months ended	
	April 30		April 30	
	2002	2001	2002	2001
	(in thousands)		(in thousands)	
	(unaudited)	(unaudited) (restated)	(unaudited)	(unaudited) (restated)
<b>Sales and Other Operating Revenues</b>	<b>\$ 549,791</b>	<b>\$ 682,744</b>	<b>\$ 1,997,193</b>	<b>\$ 2,301,630</b>
<b>Cost of Sales and Expenses</b>				
Cost of sales and operating expenses	530,299	638,859	1,901,209	2,150,252
Selling and administrative expenses	16,756	23,220	59,237	73,889
Depreciation and amortization	17,358	19,429	53,911	57,372
(Gain) loss on disposals	(7,718)	-	9,722	13,323
	<b>556,695</b>	<b>681,508</b>	<b>2,024,079</b>	<b>2,294,836</b>
<b>Earnings (Loss) Before the Undernoted</b>	<b>(6,904)</b>	1,236	<b>(26,886)</b>	6,794
Equity (loss) earnings of significantly influenced companies	(90)	5,731	(54)	2,692
Non-controlling interest	36	(167)	666	(122)
<b>Earnings (Loss) Before Interest and Taxes</b>	<b>(6,958)</b>	6,800	<b>(26,274)</b>	9,364
Interest expense	13,142	15,261	45,988	47,554
Securitization fees and expense	1,273	9,636	6,887	16,096
<b>Earnings (Loss) Before Corporate Taxes</b>	<b>(21,373)</b>	(18,097)	<b>(79,149)</b>	(54,286)
Recovery of corporate taxes	8,677	8,199	28,085	20,250
<b>Net Earnings (Loss)</b>	<b>(12,696)</b>	(9,898)	<b>(51,064)</b>	(34,036)
<b>Retained Earnings, Beginning of Period</b>				
As previously reported	(631)	57,697	37,737	85,900
Changes in accounting policies				
Income taxes	-	-	-	1,940
Revenue recognition	-	-	-	(6,005)
As restated	<b>(631)</b>	<b>57,697</b>	<b>37,737</b>	<b>81,835</b>
<b>Retained Earnings, End of Period</b>	<b>\$ (13,327)</b>	<b>\$ 47,799</b>	<b>\$ (13,327)</b>	<b>\$ 47,799</b>
<b>Earnings (Loss) Per Share</b>	<b>\$ (0.34)</b>	<b>\$ (0.26)</b>	<b>\$ (1.36)</b>	<b>\$ (0.91)</b>

## SALES AND OPERATING REVENUE BY SEGMENT

	Three months ended		Nine months ended	
	April 30		April 30	
	2002	2001	2002	2001
	(in thousands)		(in thousands)	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>SALES</b>				
Grain Handling and Marketing	\$ 384,905	\$ 414,526	\$ 1,352,167	\$ 1,452,613
Agri-products	33,755	61,494	150,983	226,729
Agri-food Processing	125,672	148,199	448,072	455,067
Livestock Production and Marketing	21,416	66,030	76,025	193,434
Publishing and Other	-	6,132	5,112	12,772
Intersegment sales	(15,957)	(13,637)	(35,166)	(38,985)
	<b>\$ 549,791</b>	<b>\$ 682,744</b>	<b>\$ 1,997,193</b>	<b>\$ 2,301,630</b>

## SEGMENT EARNINGS FROM OPERATIONS

	Three months ended April 30 2002 (in thousands) (unaudited)				Three months ended April 30 2001 (in thousands) (unaudited) (restated)			
	EBITDA	D&A	Provisions	EBIT	EBITDA	D&A	Provisions	EBIT
Grain Handling and Marketing	\$ (1,012)	\$ 8,509	\$ -	\$ (9,521)	\$ 7,775	\$ 9,428	\$ -	\$ (1,653)
Agri-products	(2,883)	2,603	(7,818)	2,332	3,100	2,554	-	546
Agri-food Processing	7,866	3,688	100	4,078	14,480	4,210	-	10,270
Livestock Production and Marketing	3,349	2,262	-	1,087	5,168	2,817	-	2,351
Publishing and Other	-	-	-	-	2,496	87	-	2,409
<b>Segment Results</b>	<b>7,320</b>	<b>17,062</b>	<b>(7,718)</b>	<b>(2,024)</b>	<b>33,019</b>	<b>19,096</b>	<b>-</b>	<b>13,923</b>
Reconciling differences:								
Corporate expenses	(4,638)	296	-	(4,934)	(4,816)	333	-	(5,149)
Tax Provision on Equity Earnings	-	-	-	-	(1,974)	-	-	(1,974)
<b>Per Financial Statements</b>	<b>\$ 2,682</b>	<b>\$ 17,358</b>	<b>\$ (7,718)</b>	<b>\$ (6,958)</b>	<b>\$ 26,229</b>	<b>\$ 19,429</b>	<b>\$ -</b>	<b>\$ 6,800</b>

## SEGMENT EARNINGS FROM OPERATIONS

	Nine months ended April 30 2002 (in thousands) (unaudited)				Nine months ended April 30 2001 (in thousands) (unaudited) (restated)			
	EBITDA	D&A	Provisions	EBIT	EBITDA	D&A	Provisions	EBIT
Grain Handling and Marketing	\$ 21,057	\$ 24,705	\$ -	\$ (3,648)	\$ 32,149	\$ 26,613	\$ 12,153	\$ (6,617)
Agri-products	(3,042)	8,629	(7,818)	(3,853)	9,330	8,256	-	1,074
Agri-food Processing	26,043	12,248	21,579	(7,784)	32,965	12,720	-	20,245
Livestock Production and Marketing	6,259	7,276	6,995	(8,012)	16,528	8,490	-	8,038
Publishing and Other	589	142	(11,034)	11,481	3,627	280	-	3,347
<b>Segment Results</b>	<b>50,906</b>	<b>53,000</b>	<b>9,722</b>	<b>(11,816)</b>	<b>94,599</b>	<b>56,359</b>	<b>12,153</b>	<b>26,087</b>
Reconciling differences:								
Corporate expenses	(13,547)	911	-	(14,458)	(15,006)	1,013	1,170	(17,189)
Tax Provision on Equity Earnings	-	-	-	-	466	-	-	466
<b>Per Financial Statements</b>	<b>\$ 37,359</b>	<b>\$ 53,911</b>	<b>\$ 9,722</b>	<b>\$ (26,274)</b>	<b>\$ 80,059</b>	<b>\$ 57,372</b>	<b>\$ 13,323</b>	<b>\$ 9,364</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended April 30		Nine months ended April 30	
	2002	2001	2002	2001
	(in thousands)		(in thousands)	
	(unaudited)		(unaudited)	
	(restated)		(restated)	
<b>CASH FROM (USED IN) OPERATING ACTIVITIES:</b>				
Net loss	\$ (12,696)	\$ (9,898)	\$ (51,064)	\$ (34,036)
Add/(deduct) items not involving cash				
Depreciation and amortization	17,358	19,429	53,911	57,372
(Gain) loss on disposals	(7,718)	(24)	9,722	13,299
Recovery of future income taxes	(10,379)	(9,537)	(31,984)	(23,843)
Equity loss (earnings) of significantly influenced companies	90	(5,731)	54	(2,692)
Pension and other items	(3,086)	(1,941)	(7,899)	(3,385)
Bank refinancing amortization	3,212	-	9,901	-
Non-controlling interest	(36)	167	(666)	122
Cash flow (used in) from operations	<b>(13,255)</b>	<b>(7,535)</b>	<b>(18,025)</b>	<b>6,837</b>
Changes in non-cash working capital items				
Accounts receivable	12,338	(8,633)	201,229	196,684
Securitization of accounts receivable	(14,680)	(14,873)	(129,856)	(224,856)
Inventories	(84,337)	(22,213)	(94,835)	(55,765)
Securitization of inventories	2,741	(27,683)	3,706	(21,450)
Accounts payable	57,141	84,452	26,720	22,415
Prepaid expenses	939	1,827	2,685	9,371
Changes in non-cash working capital	<b>(25,858)</b>	<b>12,877</b>	<b>9,649</b>	<b>(73,601)</b>
Cash (used in) from operating activities	<b>(39,113)</b>	<b>5,342</b>	<b>(8,376)</b>	<b>(66,764)</b>
<b>CASH FROM (USED IN) FINANCING ACTIVITIES:</b>				
Proceeds of long-term debt	503	345,559	5,488	352,028
Repayment of long-term debt	(45,893)	(170,829)	(144,505)	(189,300)
Proceeds of short-term borrowings	9,828	95,064	25,269	189,198
Repayment of short-term borrowings	-	(254,000)	-	(254,000)
Repayment of members' demand loans	(3,743)	(2,821)	(8,487)	(14,500)
Increase (decrease) in other long-term liabilities	1,021	(946)	(392)	1,613
Amounts received from minority interest parties of a subsidiary	-	-	-	129
Increase (decrease) in share capital	1	(2)	(2)	(11)
Cash (used in) from financing activities	<b>(38,283)</b>	<b>12,025</b>	<b>(122,629)</b>	<b>85,157</b>
<b>CASH FROM (USED IN) INVESTING ACTIVITIES:</b>				
Property, plant and equipment expenditures	(2,209)	(3,017)	(11,507)	(20,436)
Proceeds on sale of property, plant and equipment	2,860	1,811	9,227	6,751
Divestitures	42,495	-	85,254	11,000
Decrease (increase) in investments	74	(47)	2,553	1,163
Increase in other long-term assets	(2,620)	(11,660)	(3,535)	(16,403)
Cash from (used in) investing activities	<b>40,600</b>	<b>(12,913)</b>	<b>81,992</b>	<b>(17,925)</b>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(36,796)</b>	<b>4,454</b>	<b>(49,013)</b>	<b>468</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>1,021</b>	<b>(13,184)</b>	<b>13,238</b>	<b>(9,198)</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ (35,775)</b>	<b>\$ (8,730)</b>	<b>\$ (35,775)</b>	<b>\$ (8,730)</b>
Supplemental disclosure of cash (paid) recovered during the year:				
Interest	(10,089)	(15,529)	(34,679)	(47,522)
Income Taxes	(677)	(3,520)	21,798	8,028

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. (GAIN) LOSS ON DISPOSALS**

Items in this grouping are as follows:

	<b>April 2002</b>	<b>April 2001</b>
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) Loss on sale of CSP Foods Division	21,579	-
e) Gain on sale of land of joint venture	(7,818)	-
f) Corporate restructuring and Grain and Agri-products system consolidation	-	13,323
<b>Total Pre-Tax</b>	<b>\$ 9,722</b>	<b>\$ 13,323</b>
<b>Total After-Tax</b>	<b>\$ 3,907</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.
- b) On November 26, 2001, the company sold 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 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, the company sold its CSP Foods division for estimated net proceeds of \$33.9 million, subject to adjustments and holdbacks. The company recorded a loss on sale of assets of \$21.6 million.
- e) On March 31, 2002, a joint venture of the company sold a parcel of land. Saskatchewan Wheat Pool's proportionate share of the net proceeds was approximately \$9.3 million resulting in a gain on sale of \$7.8 million.

### **3. LONG-TERM DEBT**

Bank credit facilities with lenders:

	<u>Amount of Facility</u>	<u>Maturity Date</u>	<u>Repayments</u>
Operating Loan	\$ 107.5 million	November 30, 2002	--
Term Loans	\$ 205.0 million	November 30, 2003	\$60 million November 30, 2002; \$110 million November 30, 2003; \$5 million per quarter

In addition the company has access to a seasonal operating loan of up to \$50 million during certain periods.

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

	April 2002	April 2001	July 2001
<b>SHORT-TERM BORROWINGS</b>			
Bank operating loan	\$25,932	\$68,000	\$ -
Subsidiaries and proportionate share of joint ventures' short-term borrowing	7,417	8,776	8,080
<b>Total</b>	<b>\$33,349</b>	<b>\$76,776</b>	<b>\$8,080</b>
<b>LONG-TERM DEBT</b>			
Medium-term notes	\$300,000	\$300,000	\$300,000
Bank term loans	205,000	343,000	344,100
Members' term loans	9,666	9,479	9,059
Subsidiaries and proportionate share of joint ventures' debt	52,540	59,241	52,580
	567,206	711,720	705,739
<b>PORTION DUE WITHIN ONE YEAR</b>			
Bank term loans	80,000	145,000	144,100
Members' term loans	1,948	1,464	1,613
Subsidiaries and proportionate share of joint ventures' debt	10,585	22,255	10,801
	92,533	168,719	156,514
<b>TOTAL LONG-TERM DEBT</b>	<b>\$474,673</b>	<b>\$543,001</b>	<b>\$549,225</b>

#### 4. SECURITIZATION

Under the terms of the 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 \$47 million to \$72 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 sale limits for the CWB grain pool range from \$80 million to \$95 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 April 30, 2002, the trade accounts receivable are reported net of sold amounts of \$32.2 million (April 30, 2001 – \$13.1 million) while grain purchased for sale to The Canadian Wheat Board is reported net of sold amounts of \$80.0 million (April 30, 2001 - \$94.9 million).

In May 2002, subsequent to the quarter-end, the company revised its monthly securitization sale limits for the CWB grain pool. Revised limits range from \$85 million to \$120 million.

#### 5. EARNINGS PER SHARE

Earnings per share are calculated using 37,425,219 Class "B" non-voting shares (April 30, 2001 – 37,425,219) which is the weighted average number issued and outstanding during the period. Fully diluted earnings per share, which includes 2,716,431 options for Class "B" non-voting shares (April 30, 2001 – 3,007,045), are identical to basic earnings per share.

#### 6. SUBSEQUENT EVENT

On May 31, 2002, subsequent to the end of the quarter, the company completed the sale of its 33 1/3% interest in CanAmara Foods for net cash proceeds of approximately \$59 million. The company's loss on sale is \$2.5 million on an after-tax basis.