



# SASKATCHEWAN WHEAT POOL

## 2<sup>ND</sup> QUARTER REPORT - JANUARY 31, 2003

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### To our Shareholders:

The Pool's capital restructuring initiative announced on October 24, 2002, dominated the company's focus during the second quarter of Fiscal 2003. The past year's drought significantly impacted cash flow and earnings this year and limited the Pool's ability to meet upcoming debt repayments. As a result, management and the Board of Directors made the critical decision to enter into a consensual restructuring process with its banks and bondholders to renegotiate its obligations.

Key objectives of the restructuring included:

- To provide the company with financing, in the amount and structure necessary to effectively operate and maximize the potential of the business going forward;
- To create a capital structure that provides stability and viability;
- To find a fair and equitable alternative to satisfy our obligations to our creditors; and
- To preserve the value of the enterprise for all stakeholders.

The agreement exchanges \$105 million in bank debt and \$300 million in medium term notes into two new notes, both of which expire in 2008. For every \$1000 of restructured debt, holders of the new notes receive \$370 in a Senior Subordinated Note and \$630 in a Convertible Subordinated Note. Holders also receive class B shares, the total of which represents approximately 38% of the class B shares outstanding. The Pool's banks and bondholders agreed to the restructuring on February 4, 2003, and the transaction closed on March 14, 2003.

The new capital structure is more flexible and provides a solution to the company's over-leveraged balance sheet. Not only does the transaction provide for significantly lower cash interest payments and a debt repayment holiday on \$405 million until 2008, it also provides an option, at the end of the term, provided certain conditions are met, to convert \$255 million of convertible notes into voting equity of the Pool.

As part of the restructuring process, the Pool concluded negotiations with its banks on new operating lines and additional liquidity to fully fund the Pool's operating requirements. Further details are provided in the Liquidity and Capital Resources Section and the Notes to the Financial Statements. The Pool is examining whether the Convertible Subordinated Note will be treated as debt or equity or a combination thereof, on the balance sheet and expects to have finalized the treatment for the April 30, 2003, quarter end.

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

Second quarter results remained pressured as the full impact of last year's drought took hold. The company remained committed to managing through the downturn by focusing on cost control, customer contact and working capital management.

Saskatchewan Wheat Pool recorded consolidated sales and operating revenues in the second quarter of Fiscal 2003 of \$501 million bringing the year-to-date total to \$970 million, down 17% from the previous year's six-month period after excluding the contributions of divested assets in last year's results. The sales decline relates directly to the drop in 2002 grain production levels due to drought and an unusually cold wet fall. Can-Oat Milling and the Pool's retail agri-product operations posted sales increases of 17% and 7%, respectively, partially offsetting this decline.



## 2nd Quarter Report ending January 31, 2003

Second quarter EBITDA, or earnings before interest, securitization, taxes, depreciation and amortization, was a loss of \$3.3 million. Year-to-date EBITDA was a loss of \$2.2 million compared to earnings of \$25.7 million after excluding the impact of divested companies. The reduction relates to reduced grain volumes and the shortages of quality commodities available for processing, coupled with low market prices and margins for pork.

Interest and securitization costs for the quarter were \$13.6 million and for the six-month period were \$26.7 million, down 31% or nearly \$12 million, from the previous year's period reflecting substantially lower debt levels at January 31, 2003. Depreciation and amortization for the six-month period were also down significantly to \$25.8 million. Approximately \$5.4 million of the variance relates to divested assets while the remainder reflects the continued hold on capital spending, and a change in accounting policy with respect to the amortization of goodwill.

The Pool remained focused on maintaining costs at minimal levels in response to the large volume declines. In total, the company's core operating, selling and administration costs are \$16.2 million below last year's levels.

The second quarter operating loss, prior to interest, securitization and taxes (EBIT) was \$16.2 million compared to a loss of \$1.1 million prior to provisions in the second quarter last year. Year-to-date EBIT was a loss of \$28 million compared to a \$1.9 million loss last year. The net loss for the quarter was \$18.8 million or \$0.50 per share, which compares to a loss of \$26 million in the second quarter last year. Last year's quarter also included \$13.2 million in after tax provisions. For the first six months of Fiscal 2003, the net loss was \$34.4 million or \$0.92 per share, compared to \$38.4 million, or \$1.03 per share. Approximately \$9.9 million of after tax provisions are included in last year's total.

### **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 information on earnings (loss) as determined in accordance with Generally Accepted Accounting Principles (GAAP). 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.

### **Sales and EBITDA – Additional Information**

To assist readers in assessing the Pool's results for Fiscal 2003 against the previous year, we have provided the following Sales, EBITDA and EBIT from businesses that are no longer contributing to the Pool's operational performance. Last year's results included sales and earnings from CSP Foods, CanAmera Foods, Western Producer and livestock-related businesses.

	<u>Q2 – F2003</u>	<u>Q2 – F2002</u>	<u>YTD – F2003</u>	<u>YTD – F2002</u>
<b>Consolidated sales</b>	\$500.7M	\$774.1M	\$970.2 M	\$1,447.4 M
Less sales from divested assets				
Agri-food Processing	(0.0)M	(129.9)M	0.0 M	(261.6)M
Other	<u>(0.0)M</u>	<u>(6.1)M</u>	<u>0.0 M</u>	<u>(17.2)M</u>
<b>Sales from remaining operations</b>	<b>\$500.7M</b>	<b>\$638.1M</b>	<b>\$ 970.2M</b>	<b>\$1,168.6M</b>
<b>Consolidated EBITDA</b>	\$ (3.3)M	\$ 17.7M	\$ (2.2)M	\$ 34.7M
Less EBITDA from divested assets				
Agri-food Processing	(0.0)M	(4.8)M	(0.0)M	(7.5)M
Other	<u>(0.0)M</u>	<u>(0.3)M</u>	<u>(0.0)M</u>	<u>(1.4)M</u>
<b>EBITDA from remaining operations</b>	<b>\$ (3.3)M</b>	<b>\$ 12.5M</b>	<b>\$ (2.2)M</b>	<b>\$ 25.7M</b>



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	<u>Q2 – F2003</u>	<u>Q2 – F2002</u>	<u>YTD – F2003</u>	<u>YTD – F2002</u>
<b>Consolidated EBIT</b>	\$ (16.2)M	\$ (1.1)M	\$ (28.0)M	\$ (1.9)M
Less EBIT from divested assets				
Agri-food Processing	(0.0)M	(2.4)M	(0.0)M	(2.7)M
Other	<u>(0.0)M</u>	<u>(0.2)M</u>	<u>(0.0)M</u>	<u>(0.8)M</u>
<b>EBIT from remaining operations</b>	<b>\$ (16.2)M</b>	<b>\$ (3.7)M</b>	<b>\$ (28.0)M</b>	<b>\$ 5.4M</b>

**SEGMENT RESULTS:**

**Grain Handling and Marketing**

The Pool's primary shipments for the second quarter of Fiscal 2003 were 1.2 million tonnes, bringing the year-to-date total to 2.8 million tonnes, or 32.7% behind the previous year. Approximately 49% of the Pool's shipments were for the account of the Canadian Wheat Board (CWB). The Pool performed relatively well in the second quarter in spite of the severe drought in 2002 that substantially cut production and depleted grain reserves in Alberta and Saskatchewan where the majority of Pool facilities are located. The Pool shipped 94% of all cars in incentive trains in the second quarter, utilizing 50- or 100-car unit trains for 74% of its shipments, which compares favourably to 69% last year.

A review of second quarter industry shipments reveals a large disparity among western Canadian provinces. CWB shipments from Saskatchewan, where the Pool enjoys the dominant market position, were down 56% while non-Board shipments dropped 12%. Alberta shipments for both Board and non-Board grains were down 42%. In contrast, Manitoba shipments increased by 16% in the first six months, reflecting the normal crop production levels in that province coming off the 2002 harvest. Overall, the CWB shipped 45% less grain to domestic and export markets during the period. Non-Board industry shipments declined by approximately 10% across the Prairies compared to the same period last year.

On the export front, wheat exports were down 62% industry-wide, barley exports were down 61%, and durum movement was down 14%. Canola exports were also down 14% with a mere 1.2 million tonnes moving to export markets. Volumes through the Pool's wholly owned port terminals reflect these declines with second quarter volumes of only 0.4 million tonnes. Year-to-date terminal receipts totaled 0.8 million tonnes, compared to 1.9 million tonnes in the first half of 2002. The Pool's Thunder Bay movement was up 3% but volumes were down sharply at Vancouver due to a significant reduction in export movement off the West Coast, coupled with the impact of an industry dispute at the port of Vancouver, which has since been resolved. The Pool's share of grain shipped through port terminal affiliates was similar to last year's levels.

**Six Month Volumes January 31, 2003**  
(000's of tonnes)

	<b>Increase/ (Decrease)</b>	<b>F2003</b>	<b>F2002</b>
Primary Elevator Shipments	<b>-33%</b>	<b>2,805</b>	<b>4,170</b>
Terminal Operations			
Vancouver	-87%	163	1,228
Thunder Bay	3%	668	647
Share of Affiliates	-2%	399	408
<b>Total Terminal Operations</b>	<b>-46%</b>	<b>1,230</b>	<b>2,283</b>

For the first six months of Fiscal 2003, the Grain Handling and Marketing segment generated EBITDA of \$7.2 million compared to \$22.1 million in the first half of last year. EBIT was a loss of \$7.7 million compared to earnings of \$5.9 million last year. The year-over-year change reflects drought-related



volume declines along with lower margins due to the lack of higher-valued export commodities available to the industry and a proportionately higher quantity of lower-margin domestic feed grains. The Pool's grain handling operations remained focused on general cost containment as they managed through the impact of the drought. Results also reflect lower operating costs at the Vancouver port terminal, ongoing restructuring savings and a six month accrual of approximately \$6.5 million for grain volume insurance.

Fiscal 2003 will be a challenging year for the entire grain industry. With a western Canadian crop of only 29.1 million tonnes, or 45% below the five year average, coupled with carry-in stocks which are the third lowest in 17 years, industry receipts and shipments are likely to be at the lowest level in over 20 years. The CWB's export program for fiscal 2003 is projected at 8.7 million tonnes 46% below last year and more than 52% below fiscal 2001, the last non-drought year. In addition, the provincial government estimates that approximately 1.7 million acres or 7% of the 2002 crop in Saskatchewan remains unharvested and may not be salvageable.

More than half the Pool's expected grain shipments occurred in the first half of the year and the company expects volumes to drop in the last half of the year as stocks dwindle. For the full year, EBITDA in the grain handling and market segment will decline substantially due to the lack of grain available in the system. However, the Pool will continue its aggressive cost containment focus and is optimistic that recent soil moisture renewal has positioned the industry for normalized growing conditions next season and a substantial earnings recovery.

### **Agri-products**

Sales for the Agri-products segment for the second quarter were \$78.9 million, a 22.7% improvement from the \$64.3 million generated in the second quarter last year. Year-to-date sales totaled \$123.2 million compared to \$117.2 million, reflecting stronger fertilizer sales and higher nitrogen prices, along with increased crop protection product and seed sales. Agricultural equipment sales were lower than the previous year as a result of poor demand for bins due to the small crop.

EBITDA for the three months was approximately breakeven as compared to \$0.6 million in the second quarter last year. Year-to-date EBITDA was a loss of \$5.9 million, compared to a loss of \$0.2 million last year, while EBIT was a loss of \$9.6 million versus a loss of \$6.2 million last year. Overall, margins were comparable to last year. Approximately \$4.6 million of the year-over-year variance relates to revenue that was previously generated through the Pool's internal agri-products financing program that has since been outsourced to Farm Credit Canada and John Deere Credit. Offsetting this foregone revenue, however, is a corresponding benefit to the income statement due to reduced interest and securitization expenses incurred by the company.

Looking forward, the company expects to benefit from working capital management initiatives within the segment. In addition, moisture conditions throughout much of the Prairies are good to very good and it is expected that seed sales will recover to pre-drought levels in the spring as producers look to seed higher-margin commodities. Growers are expected to focus on controlling early weed growth, which is positive for crop protection product demand. Fertilizer sales are also expected to normalize. Overall, the company's Agri-products EBITDA will be driven by fourth quarter sales, which are dependent upon producers' commodity price expectations, seed availability and growing conditions in 2003.

### **Agri-food Processing**

Sales for this segment in the second quarter of Fiscal 2003 were \$30.5 million, which compares to \$32.7 million generated in the second quarter last year, after excluding sales from CSP Foods and CanAmera Foods last year. Year-to-date sales of \$65.1 million represent an increase of 7% from \$60.8 million last year (excluding divested assets), driven by increases at Can-Oat Milling that more than offset declines at Prairie Malt Limited.

EBITDA from Can-Oat Milling and Prairie Malt Limited combined was \$1.6 million for the three months versus \$5.7 million last year. For the six-month period, these companies generated \$6.3 million, compared to \$10.6 million last year. The lack of quality malt barley in Western Canada due to the drought has forced Prairie Malt to source their raw commodities from other regions to meet customer demands,



driving margins down. At Can-Oat, results were on par with last year, despite the poor oat quality in its primary market regions.

As we look forward to the remainder of the year, results from Can-Oat will remain strong but are not expected to meet last year's level. At Prairie Malt, the lack of quality malt in Western Canada this year will result in significantly lower margins. However, assuming a return to normal crop production this summer, their prospects remain strong for the coming year.

#### **Other**

Sales for the Pool's pork, aquaculture and remaining feed mill operations were \$15.0 million, compared to \$22.1 million in the second quarter of Fiscal 2002. Heartland Pork marketed 168,000 finished hogs in the first six months of the year, compared to 178,000 last year.

EBITDA from these businesses for the first half of Fiscal 2003 was a loss of \$(1.9) million compared to earnings of \$2.1 million in the same period last year. The decrease reflects low selling prices for pork, which have improved since the first quarter, but are not yet at profitable levels. This, coupled with high feed costs has impaired Heartland Pork's earnings. The Pool's feed operations and aquaculture operations performed well in the period, posting higher margins. The company expects full-year results from its feed mills to be similar to Fiscal 2002 and improvements in the contribution from the aquaculture business. The pork operation anticipates that hog prices will continue to improve after reaching market lows in early September, however, that benefit will not be realized until next fiscal year.

### **LIQUIDITY AND CAPITAL RESOURCES**

#### **FINANCIAL RESTRUCTURING**

The financial restructuring of the company's senior secured debt and bank operating facilities announced February 4, 2003, was successfully closed on March 14, 2003.

The new capital structure improves the company's liquidity and financial flexibility and substantially reduces its cash interest payment obligations by replacing \$275 million of bank operating and term loans due in November 2003, a securitization facility and two \$150 million tranches of medium term notes due in February 2004 and July 2007 with the following:

1. An asset-backed operating facility for working capital maturing July 31, 2005 providing availability up to \$240 million (plus seasonal bulges of \$35 million in 2004). Funding for this facility is provided through revolving bank loans and the existing securitization program.
2. An amortizing term bank loan of \$100 million maturing July 31, 2008. This loan provides for interest only payments until October 1, 2004, and blended payments of principal and interest of approximately \$1.5 million per month thereafter. Scheduled principal payments will be deferred for an additional year if EBITDA thresholds are not met.
3. Two long-term public instruments consisting of \$150 million of Senior Subordinated Notes and \$255 million of Convertible Subordinated Notes with no scheduled principal payments until maturity in late 2008. These notes replace \$105 million of bank debt and the \$300 million of medium term notes.
  - The \$150 million Senior Subordinated Notes pay interest only until maturity.
  - Interest accrues, but is not payable on the Convertible Subordinate Notes until 2006. Interest is payable for Fiscal 2006, 2007 and 2008 if certain financial thresholds are met.
  - Holders may convert the Convertible Subordinate Notes into Class B non-voting shares at any time. The company has the right to convert these notes and all unpaid interest into common voting shares at maturity.
  - The new notes have not yet been rated by Standard & Poor's or Dominion Bond Rating Service.



- The issuance of 22.9 million class B non-voting shares at closing, which represented approximately 38% of the then outstanding shares of the company.

Further details of these instruments are provided in Note 6 to the interim financial statements.

The restructuring also involves changes to the governance structure of the company, including the appointment of four independent directors with specified representation and roles on Committees of the Board.

Long-term debt at January 31, 2003, includes \$205 million of outstanding bank debt representing the \$100 million term loan issued at closing and the \$105 million of bank debt exchanged at closing for the public instruments.

	<b>TOTAL DEBT</b>			
	Jan. 31/03	July 31/02	Jan. 31/02	Jan/03 – Jan/02 Change
Bank indebtedness & short-term borrowings	\$ 23M	\$ 34M	\$ 33M	\$ (10)M
Member demand loans	6M	25M	30M	(24)M
Long-term debt due in one year	7M	17M	132M	(125)M
Other long-term debt	<u>534M</u>	<u>456M</u>	<u>480M</u>	<u>54M</u>
<b>TOTAL DEBT</b>	<b><u>\$570M</u></b>	<b><u>\$532M</u></b>	<b><u>\$675M</u></b>	<b><u>\$(105)M</u></b>

Total debt at January 31, 2003, compared to the prior year is down \$105 million, reflecting term debt repayments made primarily with proceeds generated through the Pool's divestiture program. The increase from July to January 2003 primarily reflects cash used in operations.

The Pool's total debt-to-equity ratio at January 31, 2003, remains unchanged from January 31, 2002 at 59:41.

The restructuring is expected to be fully reflected in the company's third quarter ending April 30, 2003. Management is currently examining the appropriate accounting treatment of the \$255 million convertible note. Potential outcomes include debt, equity or a combination thereof. Management is also investigating whether or not the company is required to use "fresh start accounting" as stipulated under section 1625 of the Canadian Institute of Chartered Accountants' Handbook.

Under the terms of the new asset-backed loan, the company has guaranteed to make the banks whole on any shortfall under the securitization program. Accordingly, amounts drawn under this facility will be classified as debt on the company's balance sheet in future financial reports.

## **WORKING CAPITAL**

The Pool had a securitization program in place during the quarter to sell its commercial grain and agri-products trade receivables and its CWB inventories. On the Pool's balance sheet, accounts receivable and inventory are presented net of amounts sold under the securitization program.

Accounts receivables of \$86 million at January 31, 2003, were down significantly from \$157 million at January 31, 2002. The major factors were lower grain volumes, the impact of the divestiture program and a decrease in agri-products receivables resulting from the Pool's introduction of the SWP/Farm Credit Canada Crop Input Finance Program. This program significantly decreased the company's accounts receivables for agri-products and the corresponding financing requirements.

Inventories of \$189 million at January 31, 2003, are also down sharply from \$274 million at January 31, 2002. Lower inventories primarily reflect the impact of divestitures and lower agri-products inventory offset somewhat by higher grain inventory. Higher grain prices for most commodities elevated inventory values. In addition, the company saw grain inventories increase as producers moved grain onto primary elevator receipts in an effort to secure their position throughout the restructuring period.



## 2nd Quarter Report ending January 31, 2003

Accounts payable were \$173 million at January 31, 2003, down from the \$203 million at January 31, 2002, mostly due to the impact of divestitures.

The current ratio at January 31, 2003, was 1.58 compared to 1.14 at January 31, 2002 and 1.26 at July 31, 2002. Working capital was \$121 million at January 31, 2003 compared to \$58 million at January 31, 2002.

### CASH FLOW INFORMATION

Cash flow used in operations was \$(15.4) million in the second quarter and \$(26.4) million for the six months. These compare to 2002 cash flows from operations of \$1.3 million and \$(4.8) million, respectively, in the same periods last year. Capital expenditures for the quarter were \$1.7 million, significantly below last year. On a year-to-date basis, capital expenditures totaled \$3.4 million, compared to \$9.3 million a year earlier.

### FORWARD LOOKING INFORMATION

Certain statements in this Management's Discussion and Analysis 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. A number of factors could cause actual results to differ materially from expectations, including, but not limited to: producers' decisions regarding total seeded acreage, crop selection and utilization levels of farm inputs such as fertilizers and pesticides; weather conditions; Canadian grain export levels; changes in government policy and transportation deregulation; world agricultural commodity prices and markets; changes in competitive forces including pricing pressures; and global political and economic conditions, including grain subsidy actions of the United States and the European Union.

Marvin Wiens  
President and  
Chairman of the Board

Mayo Schmidt  
Chief Executive Officer

March 21, 2003

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## 2nd Quarter Report ending January 31, 2003

**CONSOLIDATED BALANCE SHEETS**

	As at January 31		As at July 31
	2003	2002	2002
	(in thousands)		(in thousands)
	(unaudited)	(unaudited)	(audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 2,382	\$ 1,087	\$ -
Cash in trust	13,898	-	-
Note receivable	-	5,000	-
Short-term investments	29,088	9,319	27,132
Accounts receivable	86,319	156,562	127,132
Inventories	189,053	274,055	191,843
Prepaid expenses	10,995	10,454	10,235
	<b>331,735</b>	<b>456,477</b>	<b>356,342</b>
<b>Investments</b>	<b>7,544</b>	<b>11,017</b>	<b>10,275</b>
<b>Property, Plant and Equipment</b>	<b>611,428</b>	<b>736,257</b>	<b>638,417</b>
<b>Other Long-Term Assets</b>	<b>218,923</b>	<b>192,478</b>	<b>202,346</b>
	<b>\$ 1,169,630</b>	<b>\$ 1,396,229</b>	<b>\$ 1,207,380</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Bank indebtedness	\$ 15,674	\$ 9,385	\$ 30,952
Short-term borrowings	7,884	23,521	2,967
Members' demand loans	6,178	30,460	24,624
Accounts payable	173,489	203,201	207,970
Long-term debt due within one year	7,155	132,123	17,321
	<b>210,380</b>	<b>398,690</b>	<b>283,834</b>
<b>Long-Term Debt</b>	<b>533,881</b>	<b>480,255</b>	<b>456,224</b>
<b>Other Long-Term Liabilities</b>	<b>56,392</b>	<b>57,426</b>	<b>62,766</b>
<b>Non-Controlling Interest</b>	<b>54</b>	<b>2,793</b>	<b>1,286</b>
	<b>800,707</b>	<b>939,164</b>	<b>804,110</b>
<b>Shareholders' Equity</b>			
Share capital	457,781	457,696	457,692
Retained Earnings (Deficit)	(88,858)	(631)	(54,422)
	<b>368,923</b>	<b>457,065</b>	<b>403,270</b>
	<b>\$ 1,169,630</b>	<b>\$ 1,396,229</b>	<b>\$ 1,207,380</b>

Significant accounting policies (Note 1)

On behalf of the Board of Directors

Marvin D. Wiens  
DirectorThaddeus P. Trefiak  
Director



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**CONSOLIDATED STATEMENTS OF EARNINGS  
AND RETAINED EARNINGS**

	Three months ended January 31		Six months ended January 31	
	2003	2002	2003	2002
	(in thousands)		(in thousands)	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Sales and Other Operating Revenues</b>	\$ 500,724	\$ 774,040	\$ 970,247	\$ 1,447,438
<b>Cost of Sales and Expenses</b>				
Cost of sales and operating expenses	492,869	735,570	949,118	1,370,910
Selling and administrative expenses	11,665	21,127	24,519	42,481
Depreciation and amortization	12,875	18,793	25,793	36,553
Loss on disposals	-	22,723	-	17,440
	<b>517,409</b>	<b>798,213</b>	<b>999,430</b>	<b>1,467,384</b>
<b>Earnings (Loss) Before the Undernoted</b>	<b>(16,685)</b>	<b>(24,173)</b>	<b>(29,183)</b>	<b>(19,946)</b>
Non-controlling interest	497	336	1,233	630
<b>Earnings (Loss) Before Interest and Taxes</b>	<b>(16,188)</b>	<b>(23,837)</b>	<b>(27,950)</b>	<b>(19,316)</b>
Interest expense	12,056	14,934	23,650	32,846
Securitization expense	1,557	1,862	3,016	5,614
<b>Earnings (Loss) Before Corporate Taxes</b>	<b>(29,801)</b>	<b>(40,633)</b>	<b>(54,616)</b>	<b>(57,776)</b>
Recovery of corporate taxes	10,983	14,659	20,180	19,408
<b>Net Earnings (Loss)</b>	<b>(18,818)</b>	<b>(25,974)</b>	<b>(34,436)</b>	<b>(38,368)</b>
<b>Retained Earnings, Beginning of Period</b>	<b>(70,040)</b>	25,343	<b>(54,422)</b>	37,737
<b>Retained Earnings, End of Period</b>	<b>\$ (88,858)</b>	\$ (631)	<b>\$ (88,858)</b>	\$ (631)
<b>Basic and Diluted Earnings (Loss) Per Share</b>	<b>\$ (0.50)</b>	\$ (0.69)	<b>\$ (0.92)</b>	\$ (1.03)

**SALES AND OPERATING REVENUE BY SEGMENT**

	Three months ended January 31		Six months ended January 31	
	2003	2002	2003	2002
	(in thousands)		(in thousands)	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>SALES</b>				
Grain Handling and Marketing	\$ 384,307	\$ 526,598	\$ 769,441	\$ 967,298
Agri-products	78,884	64,275	123,198	117,228
Agri-food Processing	30,477	162,620	65,142	322,400
Other	14,983	28,205	30,460	59,575
Intersegment sales	(7,927)	(7,658)	(17,994)	(19,063)
	<b>\$ 500,724</b>	<b>\$ 774,040</b>	<b>\$ 970,247</b>	<b>\$ 1,447,438</b>



2nd Quarter Report ending January 31, 2003

**SEGMENT EARNINGS FROM OPERATIONS**

	Three months ended January 31 2003 (in thousands) (unaudited)				Three months ended January 31 2002 (in thousands) (unaudited)			
	EBITDA	D&A	Loss/ (Gain) or Provision	EBIT	EBITDA	D&A	Loss/ (Gain) or Provision	EBIT
Grain Handling and Marketing	\$ (1,175)	\$ 7,328	\$ -	\$ (8,503)	\$ 11,250	\$ 8,570	\$ -	\$ 2,680
Agri-products	(31)	1,935	-	(1,966)	568	3,155	-	(2,587)
Agri-food Processing	1,610	1,281	-	329	10,558	4,286	21,479	(15,207)
Other	1,001	2,218	-	(1,217)	129	2,477	1,244	(3,592)
<b>Segment Results</b>	<b>1,405</b>	<b>12,762</b>	<b>-</b>	<b>(11,357)</b>	<b>22,505</b>	<b>18,488</b>	<b>22,723</b>	<b>(18,706)</b>
Corporate expenses	(4,718)	113	-	(4,831)	(4,826)	305	-	(5,131)
<b>Per Financial Statements</b>	<b>\$ (3,313)</b>	<b>\$ 12,875</b>	<b>\$ -</b>	<b>\$ (16,188)</b>	<b>\$ 17,679</b>	<b>\$ 18,793</b>	<b>\$ 22,723</b>	<b>\$ (23,837)</b>

**SEGMENT EARNINGS FROM OPERATIONS**

	Six months ended January 31 2003 (in thousands) (unaudited)				Six months ended January 31 2002 (in thousands) (unaudited)			
	EBITDA	D&A	Loss/ (Gain) or Provision	EBIT	EBITDA	D&A	Loss/ (Gain) or Provision	EBIT
Grain Handling and Marketing	\$ 7,169	\$ 14,883	\$ -	\$ (7,714)	\$ 22,069	\$ 16,196	\$ -	\$ 5,873
Agri-products	(5,926)	3,677	-	(9,603)	(159)	6,026	-	(6,185)
Agri-food Processing	6,327	2,542	-	3,785	18,177	8,560	21,479	(11,862)
Other	(1,873)	4,438	-	(6,311)	3,499	5,156	1,244	(2,901)
<b>Segment Results</b>	<b>5,697</b>	<b>25,540</b>	<b>-</b>	<b>(19,843)</b>	<b>43,586</b>	<b>35,938</b>	<b>22,723</b>	<b>(15,075)</b>
Corporate expenses	(7,854)	253	-	(8,107)	(8,909)	615	(5,283)	(4,241)
<b>Per Financial Statements</b>	<b>\$ (2,157)</b>	<b>\$ 25,793</b>	<b>\$ -</b>	<b>\$ (27,950)</b>	<b>\$ 34,677</b>	<b>\$ 36,553</b>	<b>\$ 17,440</b>	<b>\$ (19,316)</b>



**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three months ended January 31		Six months ended January 31	
	2003	2002	2003	2002
	(in thousands)		(in thousands)	
	(unaudited)		(unaudited)	
<b>CASH FROM (USED IN) OPERATING ACTIVITIES:</b>				
Net loss	\$ (18,818)	\$ (25,974)	\$ (34,436)	\$ (38,368)
Add/(deduct) items not involving cash				
Depreciation and amortization	12,875	18,793	25,793	36,553
Loss on disposals	-	22,723	-	17,440
Recovery of future income taxes	(12,394)	(15,882)	(22,827)	(21,605)
Pension and other items	139	(1,279)	683	(4,849)
Bank refinancing amortization	3,283	3,297	5,616	6,689
Non-controlling interest	(497)	(336)	(1,233)	(630)
Cash flow from (used in) operations	(15,412)	1,342	(26,404)	(4,770)
Changes in non-cash working capital items				
Accounts receivable	68,738	201,243	48,181	188,891
Securitization of accounts receivable	2,609	(86,248)	(8,875)	(115,176)
Inventories	9,923	43,037	(11,946)	(10,498)
Securitization of inventories	50,709	(2,541)	14,277	965
Accounts payable	(80,999)	(58,398)	(31,931)	(30,421)
Prepaid expenses	3,930	3,055	(991)	1,746
Changes in non-cash working capital	54,910	100,148	8,715	35,507
Cash from (used in) operating activities	39,498	101,490	(17,689)	30,737
<b>Cash From (Used in) Financing Activities</b>				
Proceeds of long-term debt	43,184	4,300	72,969	4,985
Repayment of long-term debt	(1,786)	(97,351)	(2,966)	(98,612)
Repayment of short-term borrowings	(18,731)	5,411	4,917	15,441
Repayment of members' demand loans	(13,286)	67	(18,446)	(4,744)
Increase (decrease) increase in other long-term liabilities	(327)	(1,306)	(260)	(1,413)
Decrease in share capital	(5)	(1)	(11)	(3)
Cash from (used in) financing activities	9,049	(88,880)	56,203	(84,346)
<b>Cash From (Used in) Investing Activities</b>				
Property, plant and equipment expenditures	(1,705)	(5,022)	(3,357)	(9,298)
Proceeds on sale of property, plant and equipment	539	1,612	1,390	6,367
Divestitures	-	22,795	-	42,759
Increase in cash in trust	(13,898)	-	(13,898)	-
Decrease in investments	2,365	2,385	3,168	2,479
Increase (decrease) in other long-term assets	(6,261)	132	(6,201)	(915)
Cash from (used in) from investing activities	(18,960)	21,902	(18,898)	41,392
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>29,587</b>	<b>34,512</b>	<b>19,616</b>	<b>(12,217)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>(13,791)</b>	<b>(33,491)</b>	<b>(3,820)</b>	<b>13,238</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 15,796</b>	<b>\$ 1,021</b>	<b>\$ 15,796</b>	<b>\$ 1,021</b>
Supplemental disclosure of cash (paid) recovered during the year:				
Interest	(2,884)	(11,423)	(11,439)	(24,590)
Income Taxes	(1,870)	22,721	(3,418)	22,474

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – in thousands (except shares)****1. Significant Accounting Policies**

The consolidated financial statements include the accounts of Saskatchewan Wheat Pool and its affiliated companies. 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.

The unaudited interim financial statements are based upon accounting principles consistent with those used and described in the annual financial statements, except for the following:

**(a) Goodwill and Other Intangibles**

Effective August 1, 2002, the company prospectively adopted the Canadian Institute of Chartered Accountants (CICA) new Handbook Section 3062 "Goodwill and other Intangible Assets". The new standard requires that goodwill no longer be amortized but instead be tested for impairment at least annually.

At January 31, 2003, the company has not recorded any impairment loss on the company's goodwill (January 31, 2002 goodwill amortization of \$1.9 million).

**(b) Stock-Based Compensation and Other Stock-Based Payments**

Effective August 1, 2002, the company adopted the new CICA Section 3870, which requires that a fair value based method of accounting be applied to all stock-based payments to non-employees and to direct awards of stock to employees. The company records an expense in the period options are granted based on the fair value method as determined by the Black-Scholes option pricing model.

The fair value of options issued in the quarter was determined by the Black-Scholes option pricing model with the following assumptions: risk free rate 5.60%; dividend yield 0%, a volatility factor of the expected market price of the company's shares of 50%, and a weighted-average expected option life of 10 years. 325,264 options were issued in the first quarter with an exercise price (equal to market price at the date of issue) of \$1.55. For the January 31, 2003 quarter end, \$50,000 (year to date - \$100,000) was expensed as stock based compensation. There is no impact on diluted loss per share as the amount is insignificant.

**2. Loss on Disposal**

Items in this grouping are as follows:

	<b>January 2003</b>	<b>January 2002</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) Impairment in asset value of CSP Foods	-	21,479
<b>Total Pre-Tax</b>	<b>-</b>	<b>\$ 17,440</b>
<b>Total After-Tax</b>	<b>-</b>	<b>\$ 9,901</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – in thousands (except shares)**

**3. Long-Term Debt (see subsequent event Note 6)**

Bank credit facilities with lenders:

	<u>Amount of Facility</u>	<u>Maturity Date</u>	<u>Repayments</u>
Operating Loan	\$ 107.5 million	November 30, 2003	--
Revolving Term Loan	\$ 117.8 million	November 30, 2003	--
Term Loan	\$ 50.0 million	November 30, 2003	--

Details on consolidated cash, bank indebtedness, short-term borrowings and long-term debt are as follows.

	<b>January 2003</b>	<b>January 2002</b>	<b>July 2002</b>
<b>CASH</b>			
Saskatchewan Wheat Pool cash	\$ -	\$ 847	\$ -
Subsidiaries' and proportionate share of joint ventures' cash	2,382	240	-
<b>Total</b>	<b>\$2,382</b>	<b>\$1,087</b>	<b>\$ -</b>

<b>BANK INDEBTEDNESS</b>			
Saskatchewan Wheat Pool bank indebtedness	\$ 8,804	\$ -	\$20,702
Subsidiaries' and proportionate share of joint ventures' bank indebtedness	6,870	9,385	10,250
<b>Total</b>	<b>\$15,674</b>	<b>\$9,385</b>	<b>\$30,952</b>

	<b>January 2003</b>	<b>January 2002</b>	<b>July 2002</b>
<b>SHORT-TERM BORROWINGS</b>			
Saskatchewan Wheat Pool short-term borrowings	\$7,884	\$11,500	\$ -
Subsidiaries' and proportionate share of joint ventures' short-term borrowings	-	12,021	2,967
<b>Total</b>	<b>\$7,884</b>	<b>\$23,521</b>	<b>\$2,967</b>

	<b>January 2003</b>	<b>January 2002</b>	<b>July 2002</b>
<b>LONG-TERM DEBT</b>			
<b>Medium-term notes</b>	\$300,000	\$300,000	\$300,000
Bank term loans (see Note a below)	205,000	130,000	117,800
Members' term loans	3,538	7,567	7,899
Subsidiaries and proportionate share of joint ventures' debt	25,343	42,688	30,525
	<b>533,881</b>	<b>480,255</b>	<b>456,224</b>

<b>PORTION DUE WITHIN ONE YEAR</b>			
Bank term loans	-	120,000	9,400
Members' term loans	1,176	1,673	1,770
Subsidiaries and proportionate share of joint ventures' debt	5,979	10,450	6,151
	<b>7,155</b>	<b>132,123</b>	<b>17,321</b>
<b>Total long-term debt</b>	<b>\$541,036</b>	<b>\$612,378</b>	<b>\$473,545</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – in thousands (except shares)****3. Long Term Debt (continued)**

Note a - Bank term loans have been classified as long-term debt in accordance with restructuring described in Note 6.

Senior Secured Loan	\$ 100,000
Bank debt exchanged for Senior Subordinated Notes and Convertible Notes	105,000
Classified as long-term debt	<u>\$ 205,000</u>

**4. Securitization (see subsequent event Note 6)**

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 \$85 million to \$120 million.

	January 2003	January 2002	July 2002
<b>SECURITIZATION</b>			
Accounts receivable	\$ 16,267	\$ 46,921	\$ 25,142
Grain inventory	98,022	77,259	83,745
Total	\$114,289	\$124,180	\$108,887

**5. Earnings per Share (see subsequent event Note 6)**

Basic and diluted earnings per share are calculated using the weighted average number of Class B non-voting shares outstanding during the year, which was 37,425,219 (January 31, 2002 and July 31, 2002 – 37,425,219).

Options related to the New Members' and Management Stock Option Plans have not been included in the calculation of diluted earnings per share because to do so would be anti-dilutive for both 2003 and 2002.

On August 15, 2002, an additional 325,264 options were granted to employees under the Management Stock Option Plan.

**6. Subsequent Event**

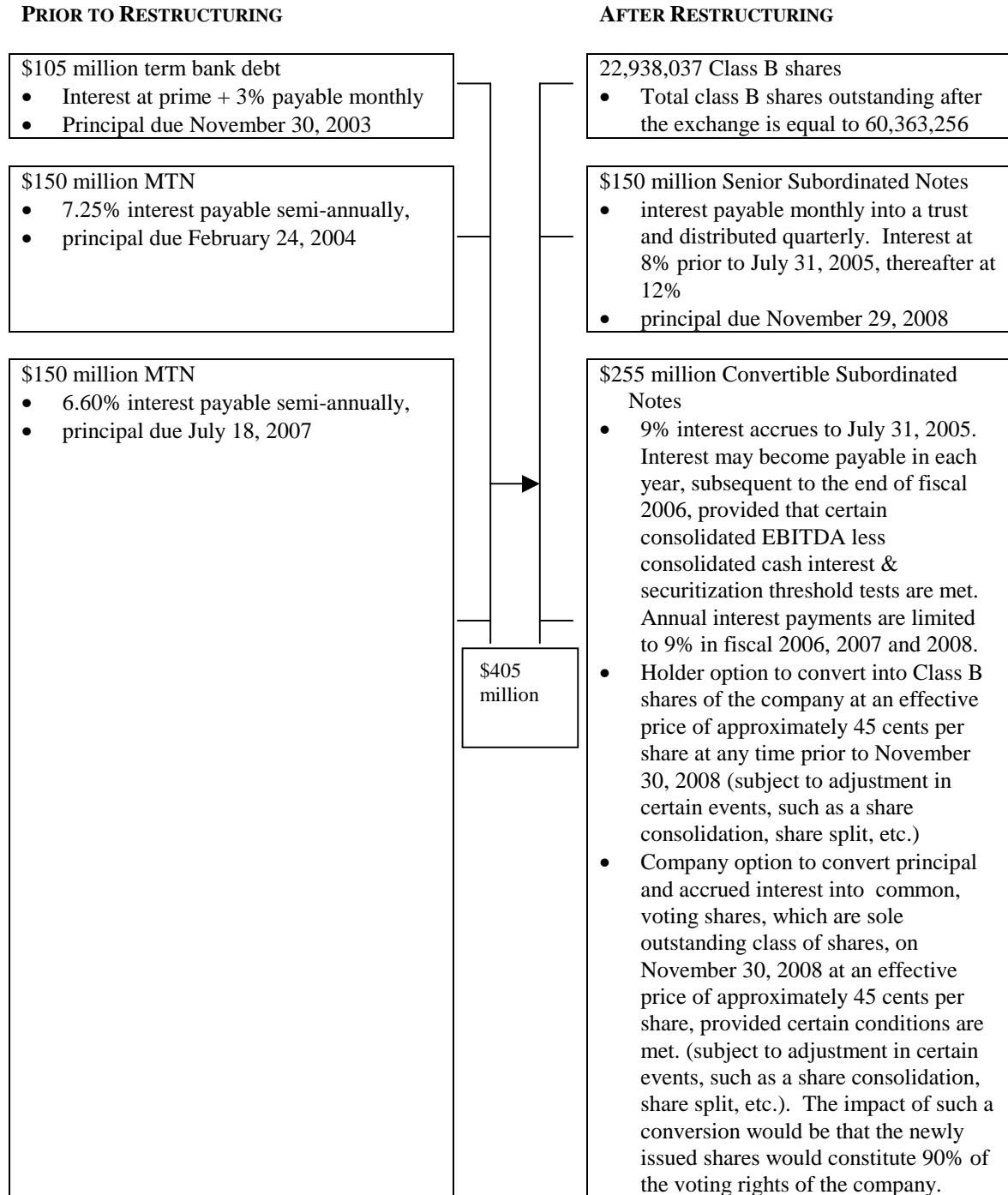
On October 24, 2002 the company announced its intention to restructure its senior secured debt and to obtain new credit facilities to fund its long-term business plan.

On March 14, 2003 subsequent to the January 31, 2003 quarter-end, the company successfully concluded this financial restructuring. Upon closure, both series of Medium Term Notes (MTNs) totaling \$300 million in aggregate, along with \$105 million of bank term debt, were exchanged proportionately for two new series of Notes and 22,938,037 Class B shares of the company. This exchange is further represented as follows:



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – in thousands (except shares)**

**6. Subsequent Event (continued)**





**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – in thousands (except shares)**

In addition to the above \$405 million exchange, the restructuring also involved the establishment of up to \$375 million in new senior secured credit facilities with the company's bankers. These credit facilities are comprised of:

- i) \$240 million asset backed operating facility, with additional availability of up to \$35 million in periods of the company's fiscal 2004
  - Funding provided through a combination of a securitization program and / or bank loans. The company guarantees collection of the proceeds of any securitized asset sales.
  - Interest at prime plus 3%, payable weekly
  - Revolving until July 31, 2005
- ii) \$100 million senior secured term loan
  - Interest payable monthly at 8% until the commencement of blended monthly principal and interest payments of approximately \$1.5 million
  - Blended payments to begin October 1, 2004 provided certain EBITDA thresholds are achieved, in the event these thresholds are not achieved, blended payments will begin October 1, 2005
  - Balloon principal payment due July 31, 2008

The restructuring also involves changes to the governance structure of the company, including the appointment of four independent directors with specified representation and roles on certain Committees of the Board of Directors.

The restructuring is anticipated to be fully reflected in the company's third quarter, ending April 30, 2003. Management of the company is currently examining the appropriate accounting treatment of the \$255 million convertible note. Potential outcomes include debt, equity, or a combination thereof. Likewise, management is also investigating whether or not the company is required to use "fresh start accounting" as stipulated under section 1625 of the Canadian Institute of Chartered Accountants' Handbook.