



**Saskatchewan Wheat Pool**

**For Immediate Release**

March 24, 2004

Regina, Saskatchewan

Listed: TSX

Symbol: SWP.B

**STRONG SECOND QUARTER BOOSTS POOL'S MOMENTUM**

Higher grain handling and agri-product margins, along with lower operating costs, helped the Pool achieve its third consecutive quarter of improved earnings and cash flow.

For the quarter ended January 31, 2004, the Pool generated net earnings of \$5.9 million, prior to recording an impairment of value associated with its investment in the hog industry. The earnings included a property tax rebate, an income tax recovery as well as associated interest revenue. In the second quarter last year, the Pool recorded a loss of \$18.8 million, which included a portion of grain insurance proceeds.

Second-quarter EBITDA, or earnings before interest, securitization, taxes, depreciation and amortization, was \$22.6 million, for a six-month total of \$29.6 million. That compares to an EBITDA loss for the first six months of last year of \$2.2 million.

The Pool also recorded its third consecutive quarter of positive cash flow from operations, generating \$13.6 million and bringing the year-to-date total to \$13.9 million. Last year, the Pool was in a negative cash flow position of \$26.4 million for the first six months.

"As a company, we are executing to plan and meeting our target of year-over-year improvement," Pool CEO Mayo Schmidt said. "These favourable results – particularly in a quarter that is not traditionally one of our strongest – are a demonstration that our core business strategies are generating momentum."

Subsequent to quarter end, management announced its intention to exit the hog sector due to prolonged difficult industry conditions. The Pool reassessed the carrying value of "long-lived" assets related to that industry, resulting in a charge of \$10.7 million being recorded against earnings this quarter.

EBIT, or earnings before interest and taxes, for the quarter, prior to the impairment charge, was \$16.1 million. The Pool lost \$16.2 million in EBIT in the second quarter last year. In the first six months of this fiscal year, the Pool earned EBIT of \$16.6 million, prior to the impairment charge. Last year, the EBIT loss was \$28.0 million for the same six-month period.

The Pool recorded interest expense in the quarter of \$9.4 million, which included \$2.6 million of non-cash accretion associated with the senior subordinated notes and debt component of the convertible subordinated notes. Interest costs in the second quarter of last year were \$13.6 million, and included \$3.3 million in non-cash interest charges. The company's interest expense for the six months was \$19.7 million. Last interest expense was \$26.7 million for the first half of fiscal 2003.

After accounting for the impairment in the pork and related operations, the net loss was \$4.8 million for the quarter (\$14.6 million for the first six months), which includes a \$2.6 million income tax recovery. Last year, the loss was \$18.8 million for the quarter and \$34.4 million for the six-month period.

Based on a weighted average number of shares of 196.4 million, the loss per share this quarter was \$0.02 per share, and \$0.05 per share after accounting for the accretion of the equity component of the convertible subordinated notes. In the second quarter of fiscal 2003, the company recorded a loss of \$0.50 per share, based on a weighted average number of shares of 37.4 million.

For the six-month period ended January 31, 2004, the loss was \$0.08 per share, based on a weighted average number of shares of 186.9 million; and after accounting for the above noted accretion, was \$0.13 per share. For the previous year's six-month period, the Pool recorded a loss per share of \$0.92.

During the second quarter, approximately \$14 million in principal of convertible subordinated notes were converted into 31.2 million Class B shares, bringing the total shares outstanding at Jan. 31, 2004, to 213 million.

Primary grain shipments for the quarter were 1.62 million tonnes, up 27 per cent from 1.27 million tonnes in the second quarter of last year. A higher-quality wheat and barley crop allowed the Pool to increase its Canadian Wheat Board shipments by 87 per cent compared to the same quarter one year ago, while shifting its product mix away from lower-valued feed grains. This push toward higher-margin export grains helped the Pool's pipeline revenue per tonne remain strong. The Pool is targeting margins for the year that average \$20 to \$23 per tonne, a significant improvement over last year, when margins averaged \$15.50, due in large part to the poor crop quality. The Pool excludes ancillary revenues (such as one-time items like property tax rebates, interest income and grain insurance proceeds) from its calculation of pipeline margin.

The Pool's wholly owned port terminal volumes were 0.9 million tonnes, more than two and a half times the volumes through these facilities in the second quarter of 2003. That volume growth reflects normal operating conditions this year at the Pool's Vancouver terminal, which was shut down in the previous year as a result of a labor dispute.

EBITDA from the Grain Handling and Marketing segment for the quarter was \$19.8 million, compared to a loss of \$1.2 million in the same period last year. Included in these earnings, were \$2.8 million of interest income and a \$4 million property tax rebate. In last year's second quarter, the Pool's results included \$2 million in grain insurance proceeds. EBIT was \$17.5 million for the quarter, while in last year's second quarter the Pool lost \$8.5 million. Approximately \$5 million of the variance reflects lower amortization expenses this year.

#### Year-to-Date Volumes (000's)

	F2004	F2003	Increase/ Decrease
Primary Elevator Receipts	3,135	2,370	32%
Primary Elevator Shipments	3,039	2,805	8%
Terminal Operations			
Vancouver	1,241	163	661%
Thunder Bay	753	668	13%
Share of PRG volumes	156	399	-61%
<b>Total Terminal Operations</b>	<b>2,150</b>	<b>1,230</b>	<b>75%</b>

The Pool's Agri-products segment generated sales of \$66 million in the quarter. The Pool's second-quarter sales last year of \$79 million were an anomaly related to producers taking pre-paid product home earlier than usual in order to protect their purchases through the financial restructuring.

Margin improvements in fertilizer and crop protection products helped to drive EBITDA for the quarter up to \$4 million this year from a break-even point in last year's second quarter. This upswing was partially offset by lower seed margins due to slower demand as farmers put off their seed purchases until the spring. Segment EBIT for the quarter was \$1.7 million after amortization charges of \$2.4 million. In the previous year, EBIT was a loss of \$2.0 million after \$1.9 million in amortization charges.

The Pool's Agri-food segment generated sales for the quarter of \$26.1 million, down from \$30.5 million in the same period last fiscal year. Current dietary trends promoting low carbohydrate intake have softened consumer demand in Can-Oat Milling's market. Segment EBITDA was \$5.6 million for the quarter, up significantly from the previous year's EBITDA of \$1.6 million. Margin improvements for Can-Oat and a higher quality malt barley crop for Prairie Malt were the primary factors in this increase. EBIT for the quarter was \$4.4 million. Last year EBIT was \$0.3 million.

Sales in the "Other" segment, which includes the Pool's investment in hog operations, were \$15.1 million, comparable to the same period a year earlier. The segment produced an EBITDA loss of \$2.9 million, which compares to EBITDA last year of \$1 million. Segment EBIT, prior to the impairment charge, was a loss of \$3.4 million, including \$0.5 million in amortization, while last year's EBIT loss of \$1.2 million, which included \$2.2 million in amortization. Continued negative conditions in the hog industry, including a strengthening Canadian dollar, increased domestic consumption of beef in the wake of BSE and high feed costs contributed to the Pool's decision, subsequent to quarter end, to exit the pork business.

With the expectation of seasonal rains and a successful CWB export program in fiscal 2004, the company should see volume and margin improvements relative to last year on the grain handling side of the business and similar improvements in the agri-products sector. Better malt barley quality should support a recovery at Prairie Malt, while year-over-year results are expected to remain relatively stable at Can-Oat Milling.

"The Pool is driving forward on the momentum created through the numerous strategic initiatives we undertook to strengthen our operating platform. Our core businesses are performing well and our customers are responding favourably. We are looking forward to a strong spring season and a recovery in both grain production levels and the agricultural economy. It is within that environment, that the Pool can move forward to further solidify our position as a Western Canadian agricultural leader," Schmidt said.

Additional information on the Pool's results are included in the quarterly report which will be available on the Pool's web site at [www.swp.com](http://www.swp.com), and on the SEDAR site, [www.sedar.com](http://www.sedar.com) today.

**CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	JANUARY 31 2004 (unaudited)	JANUARY 31 2003 (audited)	JULY 31 2003 (audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 84	\$ 2,382	\$ 1,882
Cash in trust	19,904	13,898	487
Short-term investments	24,382	29,088	45,615
Accounts receivable	169,695	195,729	222,137
Inventories	155,078	185,227	115,972
Prepaid expenses and deposits	16,551	8,469	9,973
Future income taxes	1,180	782	1,624
	386,874	435,575	397,690
<b>Investments</b>	5,005	4,945	5,020
<b>Property, Plant and Equipment</b>	273,791	314,413	291,603
<b>Other Long-Term Assets</b>	5,830	7,476	9,368
<b>Future Income Taxes</b>	80,324	80,324	80,324
	\$ 751,824	\$ 842,733	\$ 784,005
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Bank indebtedness	\$ 27,264	\$ 15,674	\$ 28,192
Short-term borrowings	66,827	122,174	92,920
Members' demand loans	13,757	6,178	9,165
Members' Class A shares	1,787	1,797	1,791
Accounts payable and accrued liabilities	181,352	181,484	163,177
Long-term debt due within one year	6,195	7,155	7,810
	297,182	334,462	303,055
<b>Long-Term Debt</b>	261,004	273,407	265,754
<b>Other Long-Term Liabilities</b>	38,161	47,300	44,867
<b>Future Income Taxes</b>	7,240	8,909	7,553
<b>Non-Controlling Interest</b>	-	54	-
	603,587	664,132	621,229
<b>Shareholders' Equity</b>			
Share capital	74,069	22,335	59,417
Contributed surplus	140	-	84
Convertible subordinated notes - equity component	126,084	156,266	130,663
Retained earnings (deficit)	(52,056)	-	(27,388)
	148,237	178,601	162,776
	\$ 751,824	\$ 842,733	\$ 784,005

**CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS  
FOR THE PERIOD ENDED JANUARY 31**  
(in thousands)

	Three Months Ended January 31 2004 (unaudited)	Pre-reorganization Three Months Ended January 31 2003 (restated) (unaudited)	Six Months Ended January 31 2004 (unaudited)	Pre-reorganization Six Months Ended January 31 2003 (restated) (audited)
<b>Gross Billings</b>				
Grain sales and service revenue	\$ 230,004	\$ 267,099	\$ 421,123	\$ 496,805
Sales and service revenue - other segments	106,800	124,896	207,886	217,725
Sales and service revenues	336,804	391,995	629,009	714,530
Canadian Wheat Board gross billings	136,717	108,729	243,984	255,717
<b>Gross Billings</b>	<b>\$ 473,521</b>	<b>\$ 500,724</b>	<b>\$ 872,993</b>	<b>\$ 970,247</b>
<b>Sales and Other Operating Revenues</b>				
Sales and service revenues	\$ 336,804	\$ 391,995	\$ 629,009	\$ 714,530
Canadian Wheat Board tariffs	12,107	6,329	22,778	16,668
	348,911	398,324	651,787	731,198
<b>Cost of Sales and Expenses</b>				
Cost of sales and operating expenses	313,704	390,469	596,771	710,069
Selling and administrative expenses	12,627	11,665	25,387	24,519
Amortization	6,471	12,875	12,999	25,793
Impairment of long-lived assets	10,700	-	10,700	-
	343,502	415,009	645,857	760,381
<b>Earnings (Loss) Before the Undernoted</b>	5,409	(16,685)	5,930	(29,183)
Non-controlling interest	-	497	-	1,233
<b>Earnings (Loss) Before Interest and Taxes</b>	5,409	(16,188)	5,930	(27,950)
Interest expense	9,390	13,613	19,720	26,666
<b>Loss Before Corporate Taxes</b>	(3,981)	(29,801)	(13,790)	(54,616)
Recovery of corporate taxes (expense)	(808)	10,983	(805)	20,180
<b>Net Loss</b>	(4,789)	(18,818)	(14,595)	(34,436)
<b>Retained Earnings, Beginning of Period</b>	(42,223)	(70,040)	(27,388)	(54,422)
Accretion of equity component of convertible subordinated notes	(5,044)	-	(10,073)	-
<b>Retained Earnings, End of Period</b>	<b>\$ (52,056)</b>	<b>\$ (88,858)</b>	<b>\$ (52,056)</b>	<b>\$ (88,858)</b>
<b>Basic and Diluted Earnings (Loss) Per Share before accretions</b>	<b>\$ (0.02)</b>	<b>\$ (0.50)</b>	<b>\$ (0.08)</b>	<b>\$ (0.92)</b>
<b>Basic and Diluted Earnings (Loss) Per Share</b>	<b>\$ (0.05)</b>	<b>\$ (0.50)</b>	<b>\$ (0.13)</b>	<b>\$ (0.92)</b>

**SEGMENTED FINANCIAL INFORMATION**  
(in thousands)

	Three Months Ended January 31 2004 (unaudited)	Three Months Ended January 31 2003 (unaudited)	Six Months Ended January 31 2004 (unaudited)	Pre-reorganization Six Months Ended January 31 2003 (audited)
<b>SALES</b>				
Grain Handling and Marketing	\$ 246,498	\$ 280,848	\$ 454,365	\$ 530,392
Agri-products	65,957	78,884	125,026	123,198
Agri-food Processing	26,098	30,477	57,335	65,142
Other	15,097	16,041	26,394	30,460
Intersegment sales	(4,739)	(7,926)	(11,333)	(17,994)
	<b>\$ 348,911</b>	<b>\$ 398,324</b>	<b>\$ 651,787</b>	<b>\$ 731,198</b>

**SEGMENTED EARNINGS FROM OPERATIONS**  
**FOR THE PERIOD ENDING JANUARY 31**  
(in thousands)

Segment Earnings - Three Months Ended	Pre-reorganization						
	(unaudited)				(unaudited)		
	2003/04 Actual				2002/03 Actual		
	EBITDA	Amortization	Impairment	EBIT	EBITDA	Amortization	EBIT
Grain Handling and Marketing	\$ 19,813	\$ 2,340	\$ -	\$ 17,473	\$ (1,175)	\$ 7,328	\$ (8,503)
Agri-products	4,042	2,360	-	1,682	(31)	1,935	(1,966)
Agri-food Processing	5,628	1,271	-	4,357	1,610	1,281	329
Other	(2,878)	500	10,700	(14,078)	1,001	2,218	(1,217)
<b>Segment Results</b>	<b>26,605</b>	<b>6,471</b>	<b>10,700</b>	<b>9,434</b>	<b>1,405</b>	<b>12,762</b>	<b>(11,357)</b>
Corporate expenses	(4,025)	-	-	(4,025)	(4,718)	113	(4,831)
<b>Per Financial Statements</b>	<b>\$ 22,580</b>	<b>\$ 6,471</b>	<b>\$ 10,700</b>	<b>\$ 5,409</b>	<b>\$ (3,313)</b>	<b>\$ 12,875</b>	<b>\$ (16,188)</b>

Segment Earnings - Six Months Ended	Pre-reorganization						
	(unaudited)				(audited)		
	2003/04 Actual				2002/03 Actual		
	EBITDA	Amortization	Impairment	EBIT	EBITDA	Amortization	EBIT
Grain Handling and Marketing	\$ 32,498	\$ 4,680	\$ -	\$ 27,818	\$ 7,169	\$ 14,883	\$ (7,714)
Agri-products	1,025	4,764	-	(3,739)	(5,926)	3,677	(9,603)
Agri-food Processing	9,154	2,559	-	6,595	6,327	2,542	3,785
Other	(4,850)	996	10,700	(16,546)	(1,873)	4,438	(6,311)
<b>Segment Results</b>	<b>37,827</b>	<b>12,999</b>	<b>10,700</b>	<b>14,128</b>	<b>5,697</b>	<b>25,540</b>	<b>(19,843)</b>
Corporate expenses	(8,198)	-	-	(8,198)	(7,854)	253	(8,107)
<b>Per Financial Statements</b>	<b>\$ 29,629</b>	<b>\$ 12,999</b>	<b>\$ 10,700</b>	<b>\$ 5,930</b>	<b>\$ (2,157)</b>	<b>\$ 25,793</b>	<b>\$ (27,950)</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED JANUARY 31**  
(in thousands)

	Three Months Ended January 31 2004	Pre-reorganization Three Months Ended January 31 2003 (restated)	Six Months Ended January 31 2004	Pre-reorganization Six Months Ended January 31 2003 (restated)
	(unaudited)	(unaudited)	(unaudited)	(audited)
<b>Cash From (Used in) Operating Activities</b>				
Net loss	\$ (4,789)	\$ (18,818)	\$ (14,595)	\$ (34,436)
Add(deduct) items not involving cash				
Amortization	6,471	12,875	12,999	25,793
Future income taxes (recovery)	111	(12,394)	131	(22,827)
Pension	391	492	1,197	860
Interest accretion and bank refinancing amortization	2,574	3,283	5,056	5,616
Non-controlling interest	-	(497)	-	(1,233)
Other items and provisions	(1,885)	(353)	(1,578)	(177)
Impairment of long-lived assets	10,700	-	10,700	-
Cash flow (used in) from operations	13,573	(15,412)	13,910	(26,404)
Changes in non-cash working capital items				
Accounts receivable	(246)	19,553	52,194	27,704
Securitization of accounts receivable	-	53,318	-	5,402
Inventories	(20,342)	59,108	(39,106)	8,531
Accounts payable	(23,873)	(80,999)	16,441	(31,931)
Prepaid expenses and deposits	(4,035)	3,930	(6,578)	(991)
Changes in non-cash working capital	(48,496)	54,910	22,951	8,715
Cash from (used in) operating activities	(34,923)	39,498	36,861	(17,689)
<b>Cash From (Used in) Financing Activities</b>				
Proceeds of long-term debt	-	43,184	-	72,969
Repayment of long-term debt	(1,920)	(1,786)	(3,925)	(2,966)
Proceeds (repayment) of short-term borrowings	27,797	(18,731)	(33,589)	4,917
Increase (repayment) of members' demand loans	3,349	(13,286)	4,592	(18,446)
Repayment of members' shares	(3)	(5)	(4)	(11)
Decrease in other long term liabilities	(2,250)	(327)	(3,177)	(260)
Cash (used in) from financing activities	26,973	9,049	(36,103)	56,203
<b>Cash From (Used in) Investing Activities</b>				
Property, plant and equipment expenditures	(2,099)	(1,705)	(3,809)	(3,357)
Proceeds on sale of property, plant and equipment	809	539	1,359	1,390
Increase in cash in trust	(19,365)	(13,898)	(19,417)	(13,898)
Decrease in investments	-	2,365	-	3,168
Increase in other long-term assets	(372)	(6,261)	(994)	(6,201)
Cash (used in) from investing activities	(21,027)	(18,960)	(22,861)	(18,898)
<b>(Decrease) increase in Cash and Cash Equivalents</b>	(28,977)	29,587	(22,103)	19,616
<b>Cash and Cash Equivalents, Beginning of Period</b>	26,179	(13,791)	19,305	(3,820)
<b>Cash and Cash Equivalents, End of Period</b>	\$ (2,798)	\$ 15,796	\$ (2,798)	\$ 15,796

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

## **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. 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 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.*

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