

# Management's Discussion and Analysis

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## 1. RESPONSIBILITY FOR DISCLOSURE

Management's Discussion and Analysis ("MD&A") was prepared based on information available to Viterra (the operating name and trademark of Viterra Inc. and referred to herein as Viterra or the "Company") as of January 20, 2009. A number of factors have influenced management's presentation and discussion of results in this report.

- In 2007, Viterra changed its financial year end from July 31 to October 31 to better align its reporting period with its business cycle. As a result, the comparative Consolidated Financial Statements for fiscal 2007 reflect a 15-month period (the "Transition Year" from August 1, 2006 to October 31, 2007).
- The Company also acquired Agricore United ("AU") in 2007, a major competitor and the largest Canadian agri-business in terms of market share at the time. As a result, the discussion of comparative financial statements requires additional disclosure to support shareholders' understanding of the underlying performance of the business. Under Canadian Generally Accepted Accounting Principles ("GAAP"), the 2007 financial results for AU were reported commencing from the acquisition date of May 29, 2007 and include five months, while the former Saskatchewan Wheat Pool ("SWP") results reflect 15 months.
- This MD&A includes key financial statement information for the 12 months ended October 31, 2008 compared to the 15-month results of the Company to October 31, 2007.
- To supplement this information, unaudited financial results for the trailing 12 months ended October 31, 2007 (which include the consolidated results of AU for the five months ended October 31, 2007) have also been included.
- Management will focus its discussion on the comparative 12-month periods and the related quarters ended October 31, 2008 and 2007, respectively.

Management believes this analysis is more relevant to readers and will assist in their understanding of the future financial performance and the seasonality inherent in Viterra's core business.

## 2. COMPANY OVERVIEW

Viterra is a vertically integrated Canadian agri-business engaged in a number of distinct but interrelated businesses. Founded in 1924, the Company serves western Canadian farmers and markets commodities and food products around the world. On May 29, 2007, the Company acquired effective control of AU, to become one of Canada's leading agri-businesses, with extensive operations and distribution capabilities across Western Canada as well as operations in the United States ("U.S.") and Japan.

As discussed in more detail in the 2007 Annual Report, the acquisition provided a number of benefits and resulted in the Company achieving a stronger and more diversified presence amid the growing demands of a highly competitive marketplace, while creating the scale and scope of operations to enhance its western Canadian position in the global environment and establish a lower cost service model through the realization of significant efficiencies.

As a major participant in the value-added agri-food supply chain, Viterra's core businesses are diversified between five segments: agri-products sales and services, grain handling and marketing, livestock feed and services, agri-food processing and financial products. Geographically, Viterra's operations are further diversified across Western Canada, through the south central United States, Japan, and Singapore, with plans to open an office in Geneva in 2009. As described in the chart below, Viterra participates in fertilizer manufacturing through its 34% ownership in Canadian Fertilizer Limited ("CFL"), oat milling through Can-Oat Milling ("Can-Oat") and malt processing through its interest in Prairie Malt Limited. Viterra is also involved in other commodity-related businesses through strategic alliances and supply agreements with domestic and international grain traders and food processing companies. The Company markets commodities directly to customers around the world in more than 50 countries.

Viterra's shares trade on the Toronto Stock Exchange ("TSX") under the symbol "VT".

Agri-products	Grain Handling and Marketing	Agri-food Processing	Livestock Feed and Services	Financial Products
<p>Manufacturing, distributing and retailing crop inputs and supplies to producers, including seed, crop protection products, fertilizer and equipment</p> <p>34% ownership Canadian Fertilizer Limited</p> <p>Seed research and development</p> <p>54.4% patronage interest Interprovincial Co-operative Limited</p>	<p>Contracting, marketing and transporting grain from western Canadian producers to consumptive customers</p> <p>Providing value-added services to producers, including cleaning, drying, blending and storage of grain</p>	<p>Further manufacturing of bulk grains</p> <p>Can-Oat Milling</p> <p>42.4% ownership Prairie Malt Limited</p>	<p>Livestock feed manufacturing with six feed mills and two pre-mix sites in Western Canada</p> <p>Six feed mill locations in south central U.S. operated by Unifeed Hi-Pro Inc.</p> <p>31.4% ownership Puratone Corporation</p>	<p>Provides credit services to customers of the Agri-products and Livestock services segments through a Canadian financial institution</p>

### 3. BUSINESS MODEL

Viterra's business model is designed to optimize its position in the agri-food value chain by connecting producers and their commodities with destination customers around the world, generating revenue at each stage of the handling, processing and marketing process.

Viterra's relationship with farmers across Western Canada is extremely important given that they are both the primary customer and supplier of products. The Company provides farmers with agronomic and planning advice and other services at the beginning of the crop cycle and delivers customized agricultural solutions and products aimed at ensuring that high-quality, high-yielding crops are available to meet demands in the international marketplace.

Viterra sells a wide variety of agri-products such as proprietary and public seed varieties, along with fertilizer, crop protection products and small agricultural equipment. The Company bundles agri-products with production contracts, trucking premiums, financing options and targeted marketing programs to attract commodities into its high throughput grain handling network in Canada. Viterra cleans, dries and blends grains, oilseeds and specialty crops before they are sold to the domestic or export market. Viterra markets the grain directly to end-use customers through its commodity merchandisers or through the Canadian Wheat Board ("CWB"), and the products are shipped from the Prairies either by truck or by rail to various markets.

The Company manages the transportation and logistics requirements to the destination and is responsible for maintaining the integrity of the product while en route and in storage. For grain that originates from Canada and is destined for the international marketplace, the product moves through one of Viterra's export terminal facilities. Before being loaded onto vessels, the product is graded by the Canadian Grain Commission ("CGC") to ensure it meets the quality specifications demanded by the international marketplace.

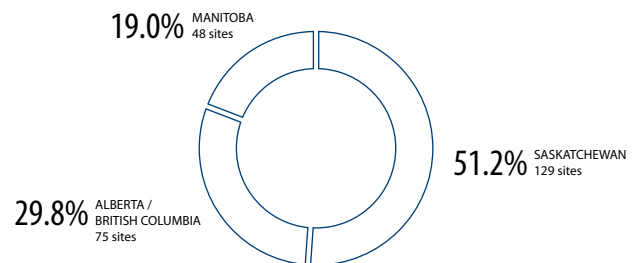
Viterra's ingredients can be found in food products around the world, whether they are in breakfast cereals or snack bars sourced from Viterra's oat processor, Can-Oat, or traded through strategic alliances and supply agreements with other food processing and consumer products companies internationally. Viterra develops relationships globally to secure demand for Prairie agricultural products, completing the value chain to the consumer. Value-added feed processing activities through the Company's Livestock Feed and Services group provides feed products, nutritional support, financing and other related services to livestock producers in Canada and the U.S.

Each of the Company's segments is discussed in more detail next.

#### 3.1 Agri-products

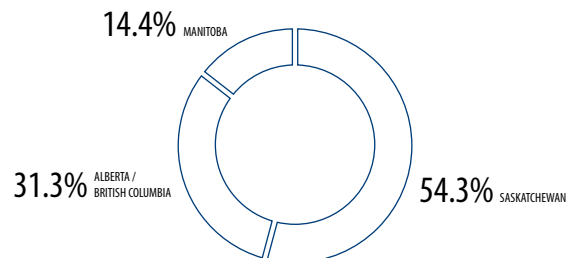
Viterra's Agri-products segment operates a network of 252 retail locations throughout Western Canada, which are geographically distributed throughout the growing regions of the Prairies. The Company is involved in the specialized storage and sales of bulk fertilizer, seed, crop protection products and agricultural equipment such as storage bins and grain augers. All facilities offer a variety of agronomic services, including seed, soil and moisture testing. Viterra's retail stores are staffed by individuals with agronomic and agri-business expertise and are supported by a team of professional agronomists.

##### Retail Locations – By Province



Source: Viterra Company Reports

##### 2008 Seeded Acreage – By Province



Source: Statistics Canada. Field Crop Report Series. Vol. 87. No.8

Viterra's research and development centre at the University of Saskatchewan focuses on developing high-yielding seed products, primarily canola, designed to thrive in Western Canada's diverse climate. Viterra contracts with Prairie growers to produce the seed and, through its retail network, sells proprietary seed varieties and certified seed that offer improved yield potential and other value-added traits. Viterra also sells third-party varieties provided through suppliers such as Bayer CropScience, Dow AgroSciences, Pioneer Hi-Bred and Monsanto.

On November 1, 2008, Viterra amalgamated the assets and operations of Western Co-operative Fertilizers Limited ("Westco") into the Agri-products division, eliminating redundancy and aligning the fertilizer wholesaling and distribution functions with Company sales and retail operations. Viterra now directly holds a 34% investment in CFL, a nitrogen fertilizer manufacturing plant in Medicine Hat, Alberta. The Company is entitled to receive 34% of

approximately 1.5 million tonnes of merchantable product, split equally between granular urea and anhydrous ammonia.

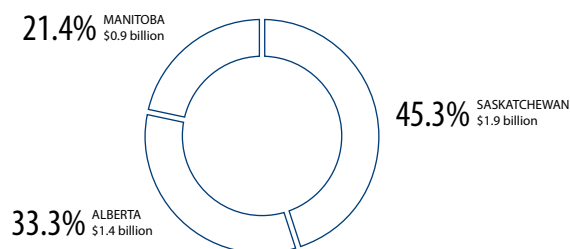
Viterra also holds a 54.4% patronage interest in Interprovincial Co-operative Limited, a supplier and manufacturer of crop protection products in Canada.

### 3.1.1 Agri-products Market Environment

The competitive landscape in Western Canada reflects a mature and highly fragmented market with over 900 locations throughout the region, made up of other grain companies, co-operatives, fuel companies and independent retailers. Viterra's market share is approximately 30%. Its largest competitor group is the independent retailers who collectively comprise another 30% of the market. Some companies offer a full range of products including seed, fertilizer, crop protection and small agricultural equipment. Others specialize in specific product lines. Unlike the grain handling segment, deregulation, globalization and consolidation have had little effect on the crop input distribution network.

The total market size in Western Canada is represented by the total seeded acreage, which has remained at about 60 million acres over the last decade. Although seeded acreage has remained relatively stable, input usage has climbed and, since 1999, the overall market (excluding equipment sales) has grown from about \$2.6 billion in sales to about \$4.2 billion in 2007. This may reach \$5.0 billion in 2008, mainly due to higher product prices during the year, particularly in fertilizer, together with additional sales resulting from higher crop input applications that have been driven by the rise in commodity prices.

### 2007 Industry Sales by Province – Agri-products



Source: Statistics Canada: Farm Operating Expenses and Depreciation Charges, November 2008

The growth in sales has been driven by a combination of increased utilization of new seed technologies and varieties, escalating prices resulting from supplier consolidation (increased supplier power) and external factors such as rising fertilizer prices.

New seed and seeding technologies, together with less summer-fallowed acres, price escalation, the development of new crop protection products that address long-term plant disease issues, and shifts in crop mix from cereal grains to oilseeds and special crop commodities have all influenced the growth in the seed market. With the evolution that drove growth in the seed market

slowing, future real growth in the overall market is expected to track inflation.

The most dramatic sales growth has been in fertilizer, particularly in 2008, when the industry experienced both dramatic price increases and rising demand. High fertilizer demand, a result of high commodity prices, contributed to record prices even though natural gas costs, the most significant input for nitrogen-based products, were lower compared to the prior year.

During the latter part of 2008, fertilizer prices began to decline, a function of lower corn prices and an anticipation of slower demand. However, forecasts for continued corn production in the U.S. to support the ethanol industry and strong Canadian demand expected in the spring of 2009 may lead to price improvements in early 2009, as farmers attempt to secure supplies in order to maximize yields and economic returns.

Product differentiation is limited in the fertilizer and crop protection segments as all of the larger competitors have access to similar products, although some have proprietary rights to specific brands. Greater opportunities for differentiation exist in seed products as access to proprietary seed can drive higher sales and margins and can be the basis for a product bundling strategy. Apart from proprietary seed and certain proprietary rights to specific brands of fertilizer and chemical products, competition is based primarily on price, information, service and availability.

Pricing remains very competitive and economies of scale offer limited advantages because the cost of larger volume purchases is not significantly discounted relative to purchases made by Viterra's competitors.

The industry is seasonal and highly dependent on weather conditions with more than 75% of the Company's seed, fertilizer and crop protection products delivered from mid-April to the end of June (although 80% of seed orders are typically placed prior to January 1). This means that capacity is fully utilized during this period and underutilized for the remainder of the year.

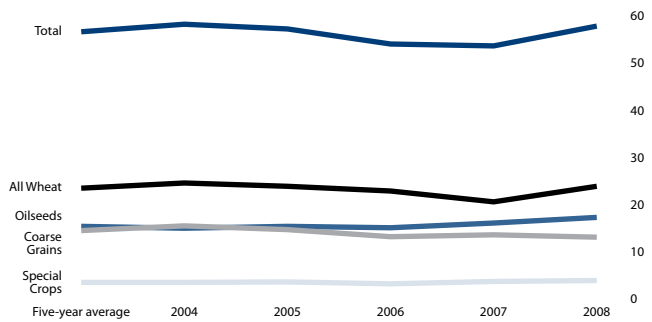
This short-term, high-volume delivery period requires superior logistics management to ensure product is in the hands of customers when needed. Timely deliveries by manufacturers and central warehousing facilities are essential to meet customer demands. Spring season logistic challenges can be eased by a strong fall season, which typically runs from August to November, depending on weather and harvest conditions. In those years, the fall season can represent about 15% of annual Agri-product sales volumes, the majority of which are typically fertilizer sales.

### 3.1.2 Key Profit Drivers – Agri-products

Key performance drivers in this segment are the volume of sales in each of the main product lines and the related margins. Demand for crop inputs is strongly correlated to the acres seeded in the crop production year and, as noted previously, seeded acreage in Western Canada has averaged about 60 million acres per year.

## Seeded Acreage – Western Canada

(in millions of acres)

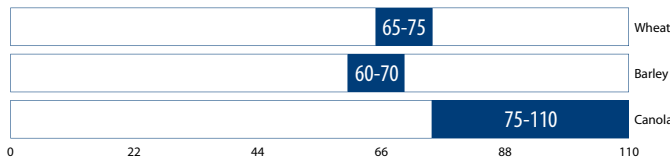


Source: Statistics Canada Field Crop Reporting Series, Vol. 87, No. 7 – 2003 to 2008 data

Crop mix can influence both the level of sales and margins. For example, canola and other special crops require more inputs than wheat and barley, resulting in greater seed, fertilizer and crop protection product sales in years when the seeded acres are more heavily weighted to those crops. Crop mix can vary depending on commodity price outlooks, input costs, crop rotation requirements and weather conditions. The latter may delay spring seeding and influence the producer to shift to products with earlier germination and shorter maturation characteristics. Margins may also be affected by crop mix, since some seed varieties have a better margin contribution than others.

## Average Crop Input Costs

(range \$ per acre)



Source: Viterra Estimates

Growth in nitrogen-based fertilizer production in regions with excess natural gas such as the Middle East and the Caribbean has created a global market for fertilizer and western Canadian prices are now based on the NOLA (New Orleans, Louisiana) price plus freight to Western Canada and adjusted for foreign exchange.

Natural gas prices provide a floor for fertilizer pricing given its significance as an input in the production of fertilizer. As an example, natural gas costs make up approximately 75% of the cost of producing urea. Since it is the primary component in the manufacture of nitrogen fertilizer, as its price fluctuates, so do fertilizer manufacturing costs. Fertilizer production typically occurs throughout the year, while sales are substantially executed during compressed spring and fall seasons.

During periods of increasing fertilizer prices, Viterra may experience margin appreciation between the time of production and the time of sale, or margin compression in a period of

declining fertilizer prices. Producers' buying behaviour, in terms of both consumption and timing, will also change depending on input costs, underlying commodity prices and their views on the market outlook.

Weather can also influence the timing and quantity of sales in the agri-products business. Farmers regularly purchase crop inputs in the spring and fall periods. Extremely wet or dry conditions can alter the timing and type of input purchases, depending on the level of plant disease and insect infestations in the case of crop protection products or the amount of soil moisture for seed and fertilizer application. However, favourable weather patterns can also enhance seed, fertilizer and crop protection product sales as producers strive to optimize crop yields.

In terms of sensitivity to overall earnings, management estimates that each 1% change in agri-products retail sales revenue represents about \$4 million of EBITDA (earnings before interest, taxes, amortization, gain (loss) on disposal of assets, integration expenses and recovery of (provision for) pension settlement). Management estimates that a 1% change in gross margin typically translates into about \$17 to \$20 million in EBITDA.

## 3.2 Grain Handling and Marketing

In the Grain Handling and Marketing segment, Viterra contracts, markets and transports grain from the farm to end-use markets through the Company's 86 licensed primary grain elevator locations and through its port terminals in Vancouver, British Columbia, Thunder Bay, Ontario and Prince Rupert, British Columbia. Grain handling begins with the movement of the commodity from the farm to Viterra's geographically dispersed and strategically located country elevator network where the product is weighed, graded, cleaned and prepared for shipment. Grain is then shipped from the country elevator to North American customers (such as a flour mill, oilseed crusher, maltster or biofuel plant/feed grain consumers) or to a port terminal, usually for shipment to an offshore destination customer.

The CWB has a monopoly over the domestic sale of western Canadian wheat used for human consumption and barley used for malting purposes. The CWB is also the sole export marketing agency for all western Canadian wheat and barley. The grains regulated by the CWB are known as "Board grains" or "CWB grains". Under this monopoly, the CWB controls the pricing as well as the flow and timing of wheat and barley deliveries into the elevator system by issuing contract calls to the producers. The flow of shipments to port terminals is also determined by the CWB through its management of rail logistics.

Most western-based grain companies operate as agents of the CWB, buying grain from producers on behalf of the CWB and delivering it to position at port or to a designated domestic customer. Many grain companies, including Viterra, are also CWB accredited exporters and secure wheat and barley sales in the global marketplace on behalf of the CWB. Viterra contracts,

transports and markets “open market” grains (such as canola, oats, flax, peas and other special crops) for its own account.

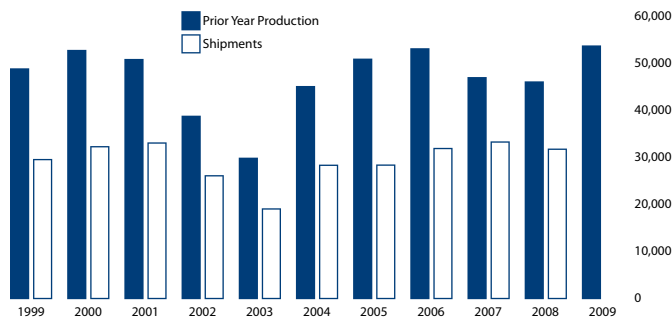
Viterra has extensive access to domestic and international markets, developed through its marketing relationships with end-use customers. Through its primary sales offices across Western Canada and its Japanese office, the Company markets its grains and oilseeds to more than 50 countries around the world and is the largest canola exporter in Canada. In 2008, Viterra established an international grain group with offices in Calgary and Singapore, with plans to open an office in Geneva in 2009 to further extend its global reach and agri-food supply chain. The new division will develop relationships in destination markets and exporting countries in order to gain access to grains and oilseeds from new regions and capture a greater share of the global demand base.

### 3.2.1. Grains and Oilseeds Market Environment

On average, Western Canada produces about 49 million tonnes of grains and oilseeds (based on the 10-year average of the six major grains and oilseeds, excluding the unusual 2002 drought), as well as a variety of other specialty crops. Typically, about 60% of the total grains and oilseeds (approximately 30 million tonnes) is shipped over the subsequent 12-month period through the primary elevator system by grain handling companies such as Viterra. The remaining grain production is consumed domestically by food processors, oilseed crushers, feedlots, or held on-farm for future marketings. Three major grain companies operate country elevator networks, together with a number of independent and producer-owned terminals. Viterra has about 35% of the industry’s primary storage capacity and the largest market share in fiscal 2008, representing approximately 43% of the market, based on receipts (producers’ deliveries into the system).

### Western Canadian Production and Primary Elevator Shipments

(in thousands of tonnes)



Source: Statistics Canada and Canadian Grain Commission

Commodity prices remained high during the first three quarters of fiscal 2008 with global grain supply limited by arable land, crop quality and yield, which did not keep pace with higher food, feed and energy demand. Global production has rebounded this year with big crops being produced in the Ukraine, Russia, the United

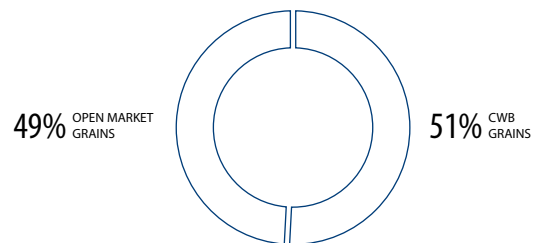
States and Canada. Australia is also expected to re-enter the market with an estimated crop size of approximately 30.6 million tonnes (a 36% increase over last year) after a number of consecutive years of declining production. Even with these increases in production, world stocks-to-use ratios remain the third lowest in history (17.9% in 2008), which suggests that the current supply and demand imbalances are likely to keep prices higher than historical averages in fiscal 2009.

Traditionally, wheat has been the dominant crop in Western Canada but, in more recent years, the crop mix has seen a significant shift in favour of oilseeds and special crops. This has been driven by a number of contributing factors. Producers are diversifying to higher value crops to reduce price risk and enhance overall returns. Heightened demand for oilseeds and special crops, together with better seed varieties have provided farmers with new cropping options and access to the better pricing associated with those commodities.

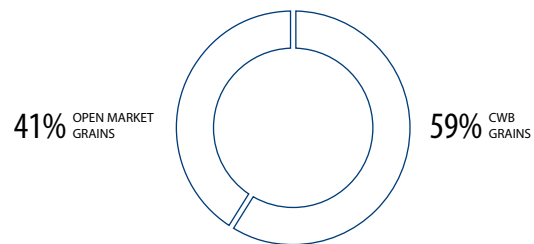
Historically, about 60% of the Company’s total shipments have been Board grains (based on a five-year average); however, the shift in production from wheat to canola and other special crops has driven a corresponding shift in the proportion of CWB grains to open market grains. This, coupled with the acquisition of AU, which handled a higher percentage of open market commodities, has resulted in a heavier weighting towards those commodities.

### Proportion of Grain Receipts

2008



2007



Source: Viterra Company Reports

### 3.2.2 Key Profit Drivers – Grain Handling and Marketing

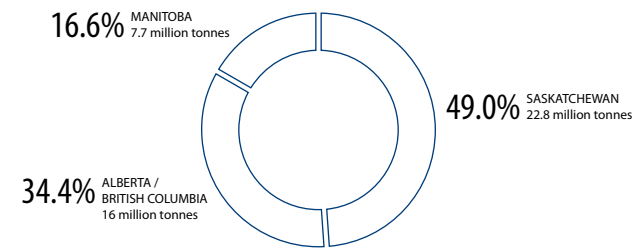
The key drivers in Viterra’s grain handling business are volumes and margins. Volume is important because of the high-fixed cost nature of the business. The more grain that flows through Viterra’s grain handling and marketing infrastructure, the lower the cost per

tonne. The volume of grain shipments is based mainly on production volumes in the previous growing season, adjusted for changes in on-farm inventories. Accordingly, volume is a key driver of profitability given the fee-for-service business model. These fees (or tariffs) are typically adjusted annually and are fairly predictable once export targets and destination customer demands have been determined. Management estimates that every 5% change in production volumes has about a \$15 to \$18 million impact on EBITDA assuming a corresponding increase or decrease to grain receipts.

Factors that may influence the timing of shipments in a given year include the producers' expectations of commodity prices in the near and longer term, the timing and quality of the crop harvested, export demand, Canadian and U.S. exchange rates, rail transport capabilities, the financial needs of farmers, and direct sales by farmers to domestic millers, maltsters and oilseed crushers.

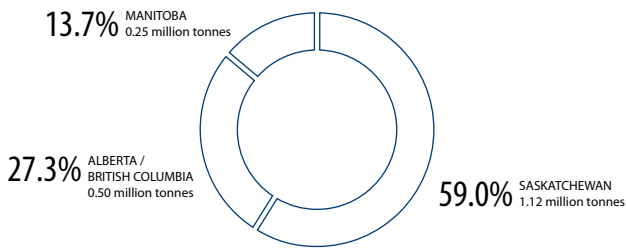
**Production by Province**

10-year average



Source: Statistics Canada Field Crop Reporting Series, Vol. 87, No. 7 – 1999-2008 Data

**Viterra Capacity by Province**



Source: Viterra Company Reports

Viterra measures market share based on its share of overall producers' deliveries of the six major grains into its primary elevator system. The Company's extensive and geographically dispersed network of assets positions it to capture a significant proportion of the market relative to the production in each of the Prairie provinces and assists in reducing revenue risk from localized production variances. The ability to source grains and oilseeds in the western Canadian market, as a result of this highly efficient infrastructure, is a competitive advantage.

Since Viterra's acquisition of Agricore United and the repositioning of assets by major players, Viterra has reduced its storage capacity

by approximately 61,000 tonnes while the competition has added approximately 200,000 tonnes of additional capacity. This was primarily accomplished through its planned integration program that saw 12 antiquated facilities close and one sold during the year. Viterra now operates 1,868,180 metric tonnes, or about 35% of the industry's overall storage capacity.

While Viterra's focus in 2008 was on its consolidation and rationalization efforts, the Company also completed two upgrades of 50-car loaders to 100-car loading status and has plans for additional upgrades in 2009. Although competitors have not yet closed many of their older facilities, they have embarked on facility expansions and upgrades to improve transportation efficiencies and multi-car loading rates. The following illustrates the change in multi-car loading capabilities within the industry since January 2008.

Industry car spots	Jan. 2008	Oct. 2008
# of 100-car spots	80	94
# of 50-car spots	88	76
	168	170

Source: Viterra Company Reports

Management believes that the competition has completed the majority of its expansion plans heading into fiscal 2009 with that new capacity coming on stream. This may have a small impact on Viterra's market share from a timing perspective for the next 12 months, but it is anticipated Viterra's market share for the six major grains will stabilize in the 42% range once its expansion plans are complete.

All major grain handling companies have the ability to elevate, store, clean, blend, market and transport grain. As such, companies compete on the basis of price and service, which, in turn, can be influenced by the company's level of efficiency. Viterra, with the most efficient elevator network, multi-car rail loading capacity and logistics expertise, has the ability to maximize throughput in the system, lowering costs per tonne and, consequently, outperforming competitors in the industry (see discussion of Core Capabilities in Section 5). The ability to attract market share is a significant factor in profitability. Management estimates that a 1% change in Viterra's market share could result in about a \$7 to \$8 million change in EBITDA.

The ability to attract additional market share must be appropriately balanced with the level of margins achieved. Viterra's competitive strength, therefore, comes from deploying its core capabilities so that it can enhance market share by offering competitive value to farmers, while preserving and enhancing its own margin capabilities (see discussion of Core Capabilities in Section 5).

Export volumes are also important to profitability, as increased activity at Viterra's port terminals and export-accredited inland terminals generate additional revenue from services such as elevation, cleaning, drying and blending. As a fee-for-service or

tolling business, Viterra earns maximum margins on those commodities that it receives into its primary system, ships through a port terminal and manages directly to the destination. As such, the level of CWB sales, worldwide supply and demand, and the quality and price of grains, oilseeds and other commodities, influence export levels and are factors that can impact profitability.

Due to the relatively fixed cost nature of the business, management estimates that each \$1 per tonne change in margins translates into about a \$15 to \$16 million impact on EBITDA.

As noted earlier, Viterra recently established an international grain group that will be responsible for furthering the development of customer relationships in destination and origination markets, seeking out international value-added opportunities, and marketing grains and oilseeds to capture a greater share of the global demand base. Margins earned by the North American grain group include the tariffs and services charged at the primary elevator, rail incentives and port terminal charges. For certain customers and certain commodities, the international grain group will assume responsibility once the product arrives at export position, managing the vessel freight and delivery to the destination of choice. The international grain group also expects to begin sourcing commodities from other countries, when it makes sense to do so, taking possession at port position and managing the vessel logistics, trading margins and delivery to the destination customer.

### 3.3 Agri-food Processing

Viterra's Agri-food Processing segment is comprised of Can-Oat Milling, one of the world's largest industrial oat millers with plants in Portage la Prairie, Manitoba, Martensville, Saskatchewan, and Barrhead, Alberta, together with a 42.4% ownership interest in Prairie Malt Limited, one of North America's largest single-site malting plants, located at Biggar, Saskatchewan.

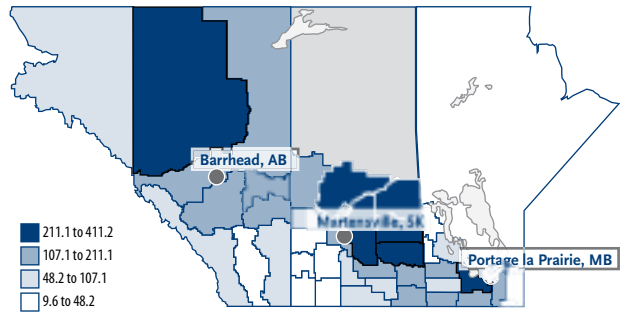
Can-Oat processes raw oats into primary, intermediate and finished food products and has plant capacity of 235,000 tonnes of finished oat products per year. Can-Oat is a global leader in industrial supply and is the supplier of choice for many U.S. food manufacturers. Can-Oat's customers are primarily North American marquee food manufacturers that are consistent brand leaders in breakfast cereals, whole grain and healthy food choices. The food manufacturing market is dominated by a small number of larger manufacturers and as a result, Can-Oat is dependent on its top five customers for over 50% of its sales volumes, large companies to which it has been supplying for more than five years.

Can-Oat is the second largest oat processor in the world and controls approximately 21% of the independent industrial oat milling capacity in North America and over 40% of the industrial ingredient supply market.

In 2008, approximately 90% of Canada's oat production was grown in Western Canada. Viterra estimates that at least 50% of that oat production can be used for milling in an average year, of which Can-Oat purchases approximately 20%.

### Canada 2007 Oat Production

Production by crop district (000 mt)



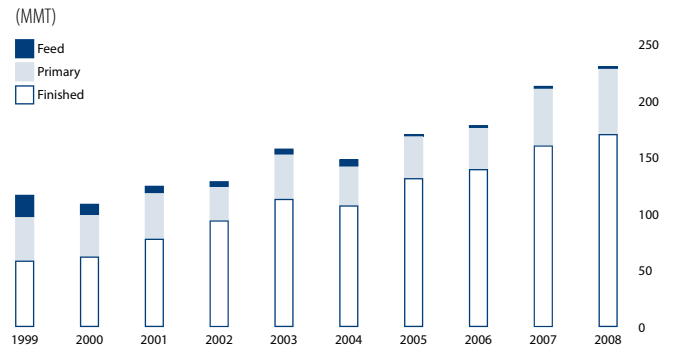
Source: Ag Commodity Research: Oatinsight

Raw oats are encased by a low-value hull, which renders 30% to 35% of the weight essentially unusable for human consumption. Due to the extra cost associated with shipping these low-value byproducts, mill locations closer to raw material supplies are at a competitive advantage.

In 2008, more than 90% of Can-Oat's production was exported to the United States. Can-Oat also has the capacity to process organic products through its Barrhead facility in Alberta, and has barley processing capacity of 3,500 to 7,000 tonnes per year, depending on product mix.

Can-Oat's products are classified into four types: primary, finished, animal feed and byproducts. Primary products are used to produce finished products at Can-Oat (such as flakes, flour, bran or blended oatmeal combinations) or are sold directly to customers with their own finishing capacity.

### Can-Oat Sales Volumes



Source: Viterra Company Reports

#### 3.3.1 Oat Processing Market Environment

Can-Oat's business can be characterized as stable, in an industry that is mature. Canada is the third largest oat producer and the largest oat exporter in the world, representing 65% of the world's oat export trade. In 2008, total world production increased to 24.8 million tonnes, including oats for feed and human consumption. Canada's oat production has remained relatively

consistent over the past 15 years and represents about 15% of the world's total. Close to 90% of Canada's oats are produced in Western Canada, with the majority, about 69%, grown in Saskatchewan and Manitoba.

The industry has seen strong growth in North American milling demand. As a result, the percentage of total oat production that is utilized for food and industrial purposes has increased.

The U.S., as the fourth largest oat producer in the world, is also the world's largest importer of oats, representing about 70% of the world's oat trade. Most of the oats are imported from Canada, with the balance imported from Scandinavia. Canada exports 40% to 45% of its oat production, primarily to the U.S. Canada exported more than 2.25 million tonnes to the U.S. in the 12 months ended July 31, 2008 ("2008 Crop Year"), representing approximately 90% of that country's total oat imports. Despite the strong demand in the U.S. for milling oats, production in the U.S. has declined over the last 15 years as U.S. farmers increase plantings of alternative crops.

Oat milling is an attractive segment of the food ingredients market and holds a strong position in the economy. Oats are a non-GMO ("non-genetically modified organism") and are a wholesome and natural whole grain, grown and processed with very little chemical application. Oat ingredients are functionally suitable for the rapidly growing "convenience food" product categories, another important growth driver for the food industry. Oat demand is particularly resistant to industry downturn since oats are a very economical food source.

Overall, demand for oat ingredients is growing, fuelled primarily by the widely appreciated nutritional benefits of this cereal grain. The Food and Drug Administration in the U.S. approved a health claim for oat-based products, stating that the soluble fiber from oatmeal, as part of a low-saturated fat/low-cholesterol diet, may reduce the risk of heart disease. This official view of whole grain consumption has heightened consumer interest in oat-based foods. Many cereal and snack bar makers are now altering their product lines to include whole grains, a positive development for the oat industry over the long term.

### 3.3.2 The Malt Industry Environment

Prairie Malt Limited is located in the heart of Canada's vast Prairie region, where some of the best barley in the world is grown within a 100-kilometre radius of the plant. Prairie Malt has an annual capacity of 220,000 tonnes and produces top quality malt that is shipped to customers throughout Canada, the U.S., South Africa, and Pacific Rim and Latin American countries. As part of the Company's interest in Prairie Malt, a barley supply agreement is in place requiring Prairie Malt to take a majority of its barley requirements from Viterra, subject to quality, cost, and timeliness issues. Viterra's partner in Prairie Malt is Cargill Limited ("Cargill"), who is the majority owner and operator.

Malt, a processed form of top quality barley, is a key ingredient used in the production of beer. Malt provides most of the complex

carbohydrates and sugars, which are necessary to give beer its distinctive flavour and alcohol content. For the same reasons, malt is used in making whiskey and other distilled spirits. It is also gaining considerable popularity in the food industry as a flavouring component and a source of nutrition. Quality, therefore, is essential. The main raw material used in the production of malt is malting-quality barley.

In Prairie Malt's business, reliable quality is a key factor in maintaining sales relationships with international customers. Only high-quality malt barley is selected for the malting process, so crop quality can affect supply and increase production costs. The overall quality of the 2008 harvest was very good, which is positive for malting barley selections. Saskatchewan Agriculture and Food estimates that 48% of the barley grown in the Province graded as malt, compared with the 10-year average of 33%.

Global beer demand continues to rise, with growth rates estimated at 3 to 4% per year. The main source of higher demand comes from emerging markets. This growth is attributable to increasing demand from China and Latin America, which is expected to gradually offset decreasing trade with Russia.

The CWB holds a monopoly on Canadian malt barley sales to domestic and international customers. Sales are made directly by the CWB or by Accredited Exporters of the CWB such as Viterra. Canadian maltsters purchase all of their malting barley from the CWB, with prices for malting barley based on North American and international market prices. The malting industry is the largest value-added exporter of grain in Canada and the largest barley customer of the CWB and, for the coming crop year, is expected to purchase more than 50% of available CWB malting barley stocks.

### 3.3.3 Key Profit Drivers – Agri-food Processing

The key drivers for this segment include volumes and margins.

In the oat processing business, margins are impacted by yield, foreign exchange, oat pricing and product mix. Since raw oats are encased by a low-value hull, which is unusable for human consumption, it takes 1.62 tonnes of raw oats to produce 1 tonne of oat ingredients in an average year. Depending on the quality of raw oats in a particular year, this yield equation can vary between 1.60 tonnes to 1.70 tonnes. Every 0.01 tonne decrease in yield can add about \$0.4 million to the cost of production and, as such, has an impact on the margins and profitability in this business. Raw oat quality, in turn, is influenced by oat varieties, soil condition and farm practices. To the extent practicable, the Company selectively contracts for oats (direct farm purchases) to better control the quality and supply of its raw oat inputs, although this must be appropriately managed to mitigate the risk of local crop failures. The ability to blend oats of variable quality can result in a more consistent quality that optimizes plant production.

Oats, as an international commodity are priced in U.S. dollars. Prices are driven mainly by the world feed grain market and can be quite volatile. While the Company hedges the bulk of the exposure associated with these prices, some basis risk remains. To reduce

the risk of margin erosion due to an appreciation of the Canadian dollar against the U.S. dollar, Can-Oat uses hedging strategies to forward sell anticipated future U.S. dollar net revenue exposures.

Prices of finished goods move up and down on a contract to contract basis with the price of oats and the milling margin negotiated as a separate component.

Product mix can also affect earnings since different types of products will carry different margin contributions. For example, primary oat products typically have lower margins than finished oat products.

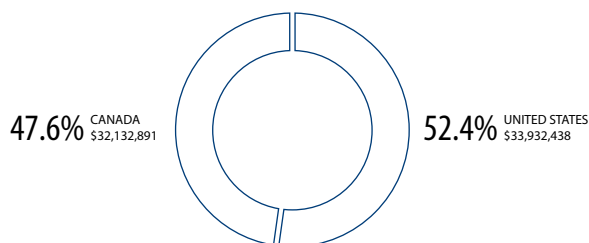
For Prairie Malt, energy consumption, labour, and yield maximization (the amount of malt produced from a tonne of barley) are key production drivers. Natural gas is important for production and rising prices can significantly impact margins. In addition, because sales are priced in U.S. dollars, a fluctuating Canadian dollar can affect earnings. Prairie Malt reduces the impact of foreign currency fluctuations by engaging in hedging activities.

### 3.4 Livestock Feed and Services

The core business activity in this segment is the manufacturing, sale and distribution of feed products. Specialty feed formulations and feed product manufacturing is well diversified between swine, dairy and beef cattle, poultry and other specialty feeds. Feed processing is conducted from six feed mills and two pre-mix manufacturing centres in British Columbia, Alberta, and Manitoba. Unifeed Inc., a wholly-owned U.S. subsidiary, also has a feed processing and commodity sales outlet in Logan, Montana.

Through Unifeed Hi-Pro Inc. ("Hi-Pro"), a wholly-owned U.S. subsidiary, the Company also owns six feed mills in Texas, Oklahoma and New Mexico that manufacture complete feeds, supplements and pre-mixes for ranchers and dairy farmers in Texas, New Mexico, Colorado and other southwest U.S. markets. Hi-Pro also owns and operates a shuttle train unloading facility near its mill in Dexter, New Mexico, which processes corn for regional dairy producers.

#### 2008 Gross Profit – North America



Source: Viterra Company Reports

The Company manufactures complete feeds, pre-mixes and supplements. Complete feeds provide all, or a significant portion

of, the nutritional requirements of the livestock being fed. Pre-mixes and supplements supply a base mix of vitamins and minerals to livestock producers who do their own complete feed manufacturing.

This segment also engages in a number of value-added services to complement its manufacture, sale and distribution of feed products and to enhance its relationships with livestock customers. These include financial services, nutritional consulting, farm operation consulting and ingredient forward contracting services on behalf of livestock producers.

Viterra offers financing programs to livestock producers through UniFinance and Unifeed Financial<sup>1</sup>. UniFinance provides secured financing for quota purchases, the purchase of breeding stock, certain capital farm improvements, refinancing of unsecured debts, and equipment purchases. Credit advances through this program are administered by the Company and borrowers are required to purchase their livestock feed products from Viterra. Unifeed Financial acts as an agent for a Canadian Schedule I bank, which provides the financing. The program is administered by the Livestock Feed and Services division in conjunction with the Financial Products division. Additional information regarding this activity can be found in Section 3.5.

Viterra also has a 31.4% ownership interest in The Puratone Corporation ("Puratone"), an integrated commercial hog production company based in Manitoba. Puratone produces more than one million hogs per year and 300,000 tonnes of feed, most of which is fed to Puratone-owned hogs. As of October 31, 2008, the Company had written off its investment in Puratone to reflect the impact of the downturn within the Canadian hog industry on this business. Viterra no longer has any financial exposure to this investment.

#### 3.4.1 Livestock Feed and Services Market

Canada accounts for approximately 4% of the global feed market. Within Canada, the Prairies account for about 22% of all commercial feed production, ranking second behind Ontario and Quebec, which collectively account for about 68%. The underlying fundamentals of the animal feed industry are directly related to the supply and demand trends in the species that consume the feed.

Canada exports about 50% of the beef and pork it produces, either as meat or live animals. Beef exports are expected to remain strong since North America's land base includes significant areas suitable for cattle grazing and emerging countries are currently focused on developing their own poultry and pork production instead of developing competing beef industries. Higher ingredient prices are not expected to have a significant impact on this sector since beef cattle are typically grazers, raised on land unsuitable for growing crops. They tend to consume naturally grown products like hay, silage and grass as the major component of their diet. As such, feed sales by Viterra to the beef sector comprise low-inclusion vitamin and mineral supplements, pasture supplements and feed ingredient commodities. Additional feed inputs, made available

<sup>1</sup> UNIFINANCE and UNIFEED FINANCIAL are trademarks of Viterra Inc.

from the byproducts of ethanol production, are also expected to further supplement beef feed ingredients, keeping the economics manageable for the beef producer.

The dairy sector in Canada is controlled by supply management, and demand is expected to remain relatively stable. In the U.S., in the areas served by Hi-Pro, the Company expects solid growth over the long-term due to the relocation of industrial milk production from California and other states to Texas and New Mexico, and the continuing construction of large cheese processing plants in that region. Total dairy cow numbers in Texas and New Mexico are roughly half of the total number of cows in all of Canada. Feed sales to the dairy sector range from high-inclusion rate supplements in Canada to low-inclusion mineral pre-mixes in both Canada and the U.S. This segment is also a major supplier of feed ingredient commodities, such as barley in Canada and corn in the U.S. Most of the mixed feed the Company sells to the hog sector is complete feed, although vitamin and mineral pre-mixes are also sold to producers who mill their own feed. U.S. feed milling operations do not manufacture or sell significant quantities of hog feed.

Poultry producers purchase complete feed from commercial feed mills since there are very few Canadian poultry producers large enough to economically mill their own feed. Poultry production is tightly controlled both provincially and nationally, and the Company does not expect significant expansion in this area apart from demand driven by population growth. U.S. feed milling operations do not produce or sell significant quantities of poultry feed.

Throughout the industry, surplus capacity in some regions has resulted in competitive pricing and margin pressures, driving ongoing consolidation. Many competitor feed manufacturing assets are antiquated and in need of significant maintenance capital, which could put pressure on poorly funded players. Growing consumer concern over food safety has also resulted in regulatory changes that may prove challenging for on-farm feed manufacturing operations and outdated commercial feed mills. As a result, Viterra's business has a certain competitive strength since most of its assets are either new or have been substantially upgraded in recent years. All of Viterra's Canadian feed mills are federally certified or compliant with Hazard Analysis Critical Control Point ("HACCP") guidelines, the internationally recognized system of quality control management for food safety. Viterra's U.S. feed milling assets are fully compliant with local state and federal operating standards for feed milling.

### 3.4.2 Key Profit Drivers – Livestock Feed and Services

The key performance driver in feed manufacturing is the volume of feed tonnes sold since feed prices tend to fluctuate in response to the cost of ingredients, which are passed onto the consumer. Margins are relatively stable over a 12-month period and remain relatively consistent year-over-year in the range of \$41 to \$43 per tonne on average. However, there can be some seasonal variability in the U.S. market, with lower margins generated in the spring

when the sales product mix shifts to lower margin products aimed at commercial feedlots.

Over a 12-month period, total feed and ingredient volumes for Viterra are expected to average about 2.4 million tonnes, of which about 1.0 million tonnes will be manufactured and sold in Western Canada. This tonnage is influenced by the demand for feed, which is driven by a number of economic factors, including the demand for protein in North America and around the world. Regionally, demand for livestock feed products can be influenced by a number of local factors such as dairy and poultry quotas, the availability and cost of feed grains and other ingredients, local farm ranching infrastructure and farm products processing infrastructure.

### 3.5 Financial Products

Through Viterra Financial<sup>2</sup> and Unifeed Financial, the Company acts as an agent of a Canadian Schedule I chartered bank. On behalf of the bank, Viterra Financial extends unsecured trade credit at competitive rates to the Company's agri-products customers. This credit enables producers to purchase the Company's crop protection, fertilizer, seed and equipment products, with repayment terms structured to meet the producer's cash flow needs. Unifeed Financial offers secured loans from the bank to customers to purchase feeder cattle and feeder hogs, as well as related feed inputs, with terms that do not require payment until the livestock is sold. In both programs, the Company directly manages the customer relationship and receives a fee for performing front-end customer review and credit adjudication services, and provides an indemnity to the bank for a portion of any loan losses (See Section 13.2 Viterra Financial and Unifeed Financial). Total approved credit managed by this group is approximately \$1.4 billion.

Between 2002 and 2007, the Company also acted as an agent for Farm Credit Canada ("FCC"), extending secured retail credit to SWP's farming customers for the purchase of crop input products. The Company received a fee for the administration of these accounts. Consistent with past years, the financial results for this activity were consolidated in the Agri-products segment. This program was discontinued in January 2008 and credit products for customers in the program transitioned to Viterra Financial.

In addition to these credit programs, this segment also offers ancillary financial and risk management products to producers.

#### 3.5.1 Financial Products Market

Credit demand is determined by the purchasing needs of producers, increases in the prices of crop inputs, economics in the livestock industry, and the availability and pricing of other sources of credit.

The demand for financial services has increased dramatically in the last 10 years. Rising crop input prices, the growing number of larger, more complex farming operations, and the reduction of traditional lenders willing to support 100% of farm operating

<sup>2</sup> VITERRA FINANCIAL is a trademark of Viterra Inc.

expenses have led to a shift in how agri-businesses are financed. Competitively, many smaller crop input retailers are not able to adequately finance the credit needs of their customers and therefore, do not have similar programs in place. While traditional trade credit is offered by many larger suppliers, Viterra Financial is able to offer a broad range of financing options to better align with the customer's cash flow requirements. For example, Viterra offers extended terms that allow farmers to repay their credit lines after harvest, enabling customers to take advantage of future grain delivery opportunities.

### 3.5.2 Key Profit Drivers – Financial Products

Key performance drivers in the Financial Products segment relate to the level, duration and quality of credit in a given year. These can be influenced by crop input and feed prices, credit quality, producer cash flows and interest rates.

The size of the lending portfolio is determined by the value of the underlying crop input or feed purchases that comprise the portfolio. This, in turn, influences the level of interest income on the portfolio and the resulting fees earned by the Company.

The timing and duration of the credit programs are impacted by the credit quality within the portfolio. Since the portfolio is reviewed and renewed on an annual basis, short-term fluctuations in farm income or producer cash flow do not typically result in any change in credit quality. Viterra maintains an extensive database to track credit history and performance as part of its annual credit adjudication process. Since the Company indemnifies the bank for a portion of its credit losses (see discussion in Section 13.2), credit quality can, therefore, have an impact on the earnings in the segment.

Prevailing interest rates are also a key component to profitability in this segment. Changing interest rates can affect margins as Viterra Financial typically offers programs with extended payment terms. While programs are in place to minimize the effects that increased funding costs might have on the portfolio, unexpected rate changes can still affect profitability.

## 4. STRATEGIC DIRECTION

Viterra's successful execution of the AU integration was the initial step in the Company's growth and diversification strategy, with the goal of becoming a global agri-business leader and a key supplier of ingredients to the world. The scorecard at the end of this section depicts the Company's achievements with respect to its integration work and the strategic growth plans that were put in place for 2008.

As Viterra looks forward, the Company's strategic focus can best be defined by two key objectives: geographical diversification and expansion of value-added processing to increase the earning base while maintaining a competitive and flexible capital structure.

Viterra's international strategy specifically targets regions that are in prime environments for consolidation, beyond the borders of our core western Canadian grain and agri-products business. The Company can accomplish this by expanding its successful Canadian consolidation strategy to new regions of the world and leveraging its own core competencies. The international diversification strategy is focused on acquiring assets and marketing commodities in regions of the world that grow commodities that Viterra already markets, maximizing full value chain margins. Viterra's North American assets are well positioned for this. Strategic acquisitions in politically stable regions of the world, including the United States, Europe and Australia, would provide the origination capabilities to increase the Company's scale and scope with destination customers, further developing dominant competitive positions and providing proximity to higher growth markets around the globe.

As part of this strategy, the Company established an International Grain division in 2008, opening new offices in Calgary and Singapore, with plans to open an office in Geneva in 2009. This staged approach was designed to enhance the Company's international grain expertise and allow Viterra to capitalize on the growing global demands in agriculture.

The acquisition of additional value-added processing operations would further diversify Viterra's earnings base and expand margins, enabling Viterra to balance its growth strategy and earnings stability. The Company's intention is to build on its existing capabilities, processing food and feed ingredients for the global marketplace. Over the last year, Viterra has acquired three feed mills in the United States and one in Canada. Viterra is actively looking for larger international opportunities in the food and feed ingredient businesses to further vertically integrate into value-added processing. The Company actively seeks assets where it can leverage its existing origination value chain and expertise to create synergies and efficiencies. As global demand for food and feed continues to increase, the opportunities for this industry continue to expand.

Value-added investment is expected to allow Viterra to earn higher margins and further extend its reach along the entire value chain. The Company now has a stable platform on which to build its value-added capabilities to other regions of the world. While the Company has not abandoned options to build, the preference is to pursue growth in a manner that offers the greatest prospective financial returns. This includes acquisitions as well as initiatives that enhance the value of existing assets. This allows Viterra to continue to participate in consolidation opportunities, while avoiding escalating construction costs. At the same time, it provides for quicker market entry and expansion, the prospect of more immediate financial returns and the ability to acquire management expertise. Quality growth and earnings stability will come from maximizing returns on our existing assets and acquiring new businesses to leverage those returns in the future.

The Company assesses the strategic fit of all potential opportunities and plans to pursue only those activities with

acceptable risk-adjusted return profiles. As the Company pursues growth, it will focus on maintaining certain credit quality objectives that are consistent with its goal of achieving investment grade credit ratings in the future.

Metric	Target
Total Debt-to-Capital	30% – 40%
Total Debt-to-EBITDA	<3X
EBITDA Interest Coverage	>5X

In pursuing its long-term goals, Viterra’s focus is on controlled, strategic growth and diversification, capturing value from global industry consolidation while maintaining a stable and quality earnings profile. The Company intends to aggressively manage its

cost structure and prudently manage risks to maximize shareholder value as it grows the business.

The current economic environment has not been kind to many sectors across the global economy, effectively choking off access to capital and debt markets, depressing valuations, and forcing over-levered companies to make tough decisions. Viterra maintains one of the strongest balance sheets in the industry and remains committed to preserving its financial flexibility across business cycles. After raising \$441.5 million of equity in May 2008, Viterra has a total debt-to-capital ratio of 22.2%, and combined with strong cash flow from operations, has a solid base and stable earnings platform on which to expand to new geographies and further expand the value-added chain. With valuation metrics now more reasonable than those seen in the last decade, Viterra is ideally positioned to successfully execute on its strategic growth plan.

2008 Strategy Scorecard
Integrate the operations of Saskatchewan Wheat Pool Inc. and Agricore United: <ul style="list-style-type: none"> <li>✓ Achieved \$110 million in synergies by year-end versus a \$104 million target</li> <li>✓ Secured \$400 million term facility and repaid \$232 million in bridge financing</li> <li>✓ Implemented a five-year common labour platform, company-wide pay for performance model and succession planning program</li> <li>✓ Implemented an employee share purchase program</li> <li>✓ Completed Viterra’s country rationalization program, reducing Viterra’s share of industry capacity by 2% to 35%</li> <li>✓ Amalgamated Can-Oat Milling within Viterra and combined Westco’s operations within the Agri-products division</li> <li>✓ Rationalized 167,000 metric tonnes or 22% of the Company’s port terminal capacity in Thunder Bay</li> <li>✓ Completed system integration work and combined all corporate office functions</li> </ul>
Enhance international grain expertise to allow Viterra to capitalize on the growing demands in agriculture: <ul style="list-style-type: none"> <li>✓ Hired Senior Vice-President, International Grain and opened trading offices in Calgary and Singapore</li> <li>✓ Developed effective global freight capabilities</li> </ul>
Enhance the value of Viterra’s existing network and product offerings: <ul style="list-style-type: none"> <li>✓ Acquired two Agri-products retail locations bringing Viterra’s retail network to 252 locations across Western Canada</li> <li>✓ Expanded Viterra’s specialty oats processing capabilities</li> <li>✓ Increased percentage of 50- and 100-car loaders to 91% of total capacity</li> <li>✓ Launched a Carbon Credit program in Alberta and executed a supply agreement with a western Canadian energy corporation</li> <li>✓ Launched a new canola variety and 2 crop protection products under Viterra label</li> </ul>
Expand or enter into new value-added processing: <ul style="list-style-type: none"> <li>✓ Acquired three feed manufacturing plants and a feed retail outlet in the United States, expanding U.S. manufacturing capacity by 68%</li> <li>✓ Expanded Viterra’s Canadian pre-mix feed manufacturing capacity by 100%</li> </ul>
Positioned VT for growth to geographically diversify its core operations in North America and potentially abroad: <ul style="list-style-type: none"> <li>✓ Issued \$441.5 million in equity in May 2008 to fund future growth</li> <li>✓ Initiated M &amp; A discussions with a number of agri-businesses in North America and abroad to determine strategic fit</li> <li>✓ Remained active in discussions on potential future opportunities to expand Viterra’s value-added processing capabilities</li> </ul>

## 5. CORE CAPABILITIES

In addition to the capital resources discussed in detail in the Liquidity and Capital Resources section of this report, Viterra has a number of core competencies that should enable it to achieve its strategic initiatives.

### 5.1 Solid Financial Position and Strong Operating Leverage in Uncertain Times

Viterra currently enjoys certain benefits from its operating leverage since the Grain and Agri-products segments are largely fixed-cost structures. As such, incremental improvements in revenues and margins translate almost directly into incremental improvements in EBITDA. The Company expects it will continue to generate significant free cash flow to enable it to pursue its strategic growth objectives.

During fiscal 2008, the Company issued \$441.5 million of equity, with the proceeds earmarked for growth. These funds, together with significant ongoing cash provided by operations, positions the Company well for the future.

Viterra's capital structure is solid with longer term credit facilities in place to support its ongoing financial requirements. In 2007, the Company secured an \$800 million operating line to fund its core operations and provide the capacity to finance its expanding business. The working capital facility currently carries an interest rate of approximately 2.5%, or 90 basis points over Bankers' Acceptance and has a final maturity of 2012. In the spring of 2008, Viterra secured a \$400 million term loan, using approximately \$232 million to repay a bridge facility that was secured to purchase Agricore United. The remainder is available for general corporate purposes including acquisitions. The following table details the Company's term debt facilities:

Facility	Term	Interest Rate
\$400M Term Loan	Due 2013	Average rate: 5.9%
\$100M Senior Unsecured Notes	Due 2013	8.0%
\$200M Senior Unsecured Notes	Due 2017	8.5%

Despite the current credit crisis, the majority of western Canadian farmers are financially strong and have access to the necessary credit to fund their ongoing operations. Through Viterra Financial, farmers have access to up to \$1.4 billion in credit to support their agri-products purchases in fiscal 2009. In addition, farmers' net incomes for 2008 are expected to be some of the best on record, increasing by 16% from 2007. This, coupled with the above-average crop harvested this fall, should provide the necessary cash flows to finance their operations going forward.

Viterra regularly evaluates its counterparty risk with respect to its relationships with global customers and employs solid risk management practices to manage those relationships. Viterra has reviewed its counterparty risk and is comfortable that it currently does not have any material exposure in this regard.

With respect to Viterra's pension plans, the current downturn in the financial market has had an impact on asset valuations. As a result, based on current estimates, the Company expects to make additional quarterly payments of \$5.6 million in fiscal 2009, up from quarterly payments of \$1.5 million in 2008 (see Section 13.1 Pension Plans). Funding requirements increase or decrease based on actuarial valuations.

### 5.2 Diversified and Modern Facility Assets

A substantial infrastructure renewal program to upgrade and replace older, smaller country grain elevators with new, more efficient high throughput elevators ("HTEs") at strategic locations throughout the regions of Manitoba, Saskatchewan, Alberta and British Columbia was substantially completed throughout the 1990s.

The Company believes the geographic dispersion and strategic location of each of the facilities, in addition to its extensive port terminal operations in Vancouver, Prince Rupert, and Thunder Bay, make it possible to attract the throughput volumes required for the Company to be a preferred counterparty for end-use grain markets. The Company's significant footprint in Western Canada positions it as a reliable originator of commodities for its domestic and international customers. Not only does this strategic network diversify the risk of localized weather, but it also allows Viterra to adopt a "value chain management" approach to maximize grain revenue and position it to optimize further opportunities that may result from any change to the regulatory environment.

The geographic dispersion of its extensive crop retailing network permits Viterra to reach a broad group of farm customers, further diversifying the risk of localized economic or other market conditions.

### 5.3 Efficient Network/Logistics Expertise

The Company's efficient elevator network, and the related logistics expertise it uses to arrange for the optimal receipt of grains into the facilities, minimizes the length of time the grain is held in storage and provides for timely delivery to domestic and international customers. Since railway companies offer incentives for loading products into multi-car unit trains, maximizing rail car usage through its country network is also an important contributor to profitability. The new incentives for fiscal 2009 range from \$4 to \$5 per tonne for 50-car loads, to incentives of \$8 per tonne on car loads of 100 or more. Viterra is well positioned with about 37% of the industry's 100-car loading capacity, allowing it to offer producers competitive transportation premiums to attract grain into its system and simultaneously capture a profitable increase in market share.

### 5.4 Quality Control

With consumer awareness and concerns over food safety and "traceability", the Company has established a number of processes

to track and identify crops at every stage of production, from seed to customer, to meet or exceed international standards. Viterra applies HACCP principles and maintains a certificate of conformity to the ISO 22000 (HACCP) standard, the internationally recognized Food Safety Management System, to the operation of its grain handling and feed manufacturing network. Viterra is also registered to the ISO 9001:2000 standard, an internationally recognized Quality Management System for the processing and export of grains, oilseeds and special crops.

## 5.5 Customer Focused

Viterra is committed to monitoring economic, financial and regulatory developments in the agricultural community to anticipate changing needs and respond accordingly. The Company recently developed a “Customer Solutions” service group to nourish customer relationships, analyze product offerings that align with customer needs and to seek opportunities to grow market share. Viterra believes that executing on initiatives to deliver innovative solutions to its customers will reinforce the Company’s prominent position in Canada and abroad and provide it with a competitive advantage over others in the industry.

## 5.6 Agronomic Services

To complement the Company’s other product offerings, Viterra has an agronomic service team in place throughout Western Canada that includes Certified Crop Advisors (“CCAs”) and 21 Managers of Agronomic Services (“MASs”). The MASs are dedicated business partners in farming communities across the Prairies, committed to the production cycle from seeding through harvest. Their industry-leading expertise keeps customers current on the latest agronomic technologies and helps customize product packages tailored to a customer’s specific needs. They also serve as educators within Viterra’s network, training staff on the latest in agronomic trends and product offerings so that front-line staff can tailor solutions-based marketing programs. Together, the services provided by Viterra’s CCAs and MASs provide the Company with unique guidance and expertise integral to growers’ key business decisions further distinguishing Viterra from its competitors in the industry.

## 5.7 Proprietary Seed Varieties

Developing the best seed varieties requires a long-term commitment and focus on breeding, trait development and extensive crop evaluation. Viterra’s in-house breeding effort is focused primarily on the oilseed sector and includes proprietary canola (*Brassica napus* and *Brassica juncea*) and flax.

Operating the largest Canadian-owned canola breeding program, Viterra develops world-class proprietary canola varieties and is globally recognized for leadership in this area. Throughout the development process, research and technology collaborations from around the globe (such as the Evogene Abiotic Stress gene project initiated in 2008) have been key to ensuring ongoing competitiveness. In flax, Viterra leads the industry in breeding and has been successful in oil profile modification and meeting the needs of both growers and consumptive end-use customers.

In other crops, including cereals and forage seed, Viterra accesses genetics on an exclusive basis from its breeding partners and tests them through Viterra’s development group, which represents the most extensive trialing system in Western Canada. Whether developed in-house, or sourced from suppliers, Viterra’s goal is to provide growers with the best genetics and superior seed varieties to maximize yield and return on investment.

Proprietary products are a key feature of Viterra’s seed line and offer additional margin opportunities throughout the Company’s value chain. Viterra’s proprietary seed line consists of 14 canola varieties and 17 cereal varieties exclusive to Viterra. In many cases, the seed is also identity preserved (IP) under contract. Farmers who purchase seed under IP contract are required to return the production to Viterra at harvest time, allowing the Company to capture full margin potential – from seed development through to the sale to the end-use market.

Through IP contracting, Viterra’s farm customers are able to access varieties with very good agronomics and at the same time, gain a competitive advantage given that much of the IP product sells for a premium in the international marketplace. Viterra’s end-use customers receive product that meets their strict specifications from a quality and food safety perspective. It is a model that Viterra is committed to in meeting the food requirements of the global marketplace.

## 6. QUARTERLY FINANCIAL INFORMATION

### Select Quarterly Financial Information

For the quarters ended

(\$ millions – except per share amounts)

(Unaudited)	October 31, 2008 Q4 <sup>2</sup>	July 31, 2008 Q3 <sup>2</sup>	April 30, 2008 Q2 <sup>2</sup>	January 31, 2008 Q1 <sup>2</sup>	October 31, 2007 Q5 <sup>2</sup>	July 31, 2007 Q4 <sup>1,3</sup>	April 30, 2007 Q3 <sup>3</sup>	January 31, 2007 Q2
Sales and other operating revenues	\$ 1,716.8	\$ 2,218.2	\$ 1,525.4	\$ 1,317.1	\$ 1,285.9	\$ 1,400.2	\$ 401.5	\$ 447.6
Net earnings	\$ 46.8	\$ 166.7	\$ 33.6	\$ 41.2	\$ 0.9	\$ 98.5	\$ 9.2	\$ 7.9
Basic and diluted earnings per share	\$ 0.20	\$ 0.71	\$ 0.16	\$ 0.20	\$ –	\$ 0.58	\$ 0.10	\$ 0.09

<sup>1</sup> Includes consolidation of results of AU from May 29, 2007, the date of acquisition

<sup>2</sup> Includes consolidation of results of AU for the entire quarter

<sup>3</sup> As restated, see Note 2(p) of Consolidated Financial Statements

As noted, effective May 29, 2007, the Company acquired all of the issued and outstanding shares of AU, which materially increased the assets, liabilities, sales, employees, market share and operating capacity of the Company. As a result, the quarterly information above includes the results of AU since the acquisition date of May 29, 2007. Concurrent with the acquisition, the Company also sold a number of operating assets to Richardson International Limited ("JRI") and Cargill, effective June 30, 2007. While these sales have increased the operating capacity of these competitors, Viterra remains the largest and most efficient grain handling company in Canada based on railcar loading capacity. (See discussion of Viterra's market environment in each of its business segments in Section 3, the discussion of its Core Capabilities in Section 5 and Restructuring and Integration Matters in Section 11).

### 6.1 Quarterly Seasonality and Trends

In the Grain Handling and Marketing segment, Viterra actively buys and receives grain from customers throughout the year. Grains and oilseeds are tested, cleaned, dried, and blended in preparation for shipping, and Viterra extracts a margin for these services. Viterra merchandisers market open market grains and oilseeds directly to destination customers and the Company buys and sells CWB grains as an Agent and Accredited Exporter of the CWB.

While grain deliveries, shipments and exports occur fairly steadily throughout each of the quarters, there can be some variation from quarter to quarter depending on demand from destination customers, the CWB export program, weather conditions, rail interruptions, harvest pressures, commodity pricing and producer cash flow requirements. Shipments through the Company's port terminals in Thunder Bay end in late December, when the St. Lawrence Seaway is closed for the winter months, and typically resume near the end of April. In addition, the month of July can be a strong month for grain deliveries as farmers sell their old crop and fill their CWB contracts (which expire July 31) or move it off-farm to make room for the new crop that is harvested from late August to the end of October.

In the Agri-food Processing segment, earnings are relatively fluid with continuous demand for products throughout each quarter. Similarly, Livestock Feed and Services sales are also fairly steady during the year, but tend to peak during the winter months as feed consumption increases. Revenue in the Financial Products segment follows the related pattern of underlying sales in the Agri-products and Livestock Feed and Services segments.

The seasonality of the Company's business is most notable in the Company's Agri-products segment. This trend directly relates to the life cycle of the crop, with more than 75% of the segment's annual sales generated between mid-April to the end of June, when the crop is first planted and begins maturing.

A summary of the specific trends in the Agri-products business for each of the quarters is detailed next.

#### Quarterly Period November 1 to January 31

Historically, the Company averages about 9% of its agri-products sales during this quarter and receives pre-purchase payments from customers for the spring agri-products. At this time, producers have also completed harvest and are able to assess the performance of their seed, the condition of their soil and may make early determinations on what crops they intend to plant in the spring. This period is an important sales promotion and marketing period for the Company as it works to secure sales commitments for the spring season.

#### Quarterly Period February 1 to April 30

Historically, Viterra generates an average of about 16% of its agri-products sales in this quarter. During this time, the Company prepares for the highly compressed spring selling period as it begins to source, purchase and distribute product through its retail network in anticipation of spring sales, and launch its spring promotional programs. Agronomic specialists are also actively working with producers during this time to develop their operational plans and customize solutions based on the specific needs of the producer.

#### Quarterly Period May 1 to July 31

The Company's agri-products sales during this quarter historically average about 67% of total sales. During this period, producers take delivery of pre-purchased agri-products and begin planting, fertilizing and tending to their crops. Producers carefully monitor crops for insects, weeds and disease during June and July and will apply various crop protection products depending upon these factors. Equipment sales typically begin at the end of this quarter as producers anticipate their storage requirements for the harvest season.

#### Quarterly Period August 1 to October 31

Agri-products sales during this period historically average about 8% of total sales. Producers purchase crop protection products and equipment from the Company in preparation for harvest. After harvest, producers have their soil tested for nutrient levels and begin to purchase fertilizers. Although not as intense as the spring period, fertilizer sales also increase in the fall, once harvest is complete, and producers begin preparing the soil for next year's crop. The fall fertilizer application restores nutrients to the soil that are needed for spring planting.

## 7. CONSOLIDATED QUARTERLY OPERATING RESULTS

### Fourth Quarter Operating Highlights

(in thousands – except percentages, margins and per share amounts)  
For the three months ended October 31

(Unaudited)	2008	2007 <sup>1</sup>	Better (Worse)
<b>Operating Results</b>			
Sales and other operating revenues	\$ 1,716,818	\$ 1,285,908	\$ 430,910
Gross profit and net revenues from services	\$ 223,432	\$ 180,317	\$ 43,115
Operating, general and administrative expenses	\$ (123,174)	\$ (118,039)	\$ (5,135)
EBITDA	\$ 100,258	\$ 62,278	\$ 37,980
Amortization	\$ (30,226)	\$ (32,281)	\$ 2,055
EBIT	\$ 70,032	\$ 29,997	\$ 40,035
Integration expenses	\$ (2,358)	\$ (11,077)	\$ 8,719
Gain (loss) on disposal of assets	\$ (206)	\$ 2,481	\$ (2,687)
Financing expenses	\$ (6,271)	\$ (14,151)	\$ 7,880
Net earnings	\$ 46,790	\$ 842	\$ 45,948
Basic and diluted earnings per share	\$ 0.20	\$ –	\$ 0.20
Cash flow before working capital changes	\$ 73,131	\$ 39,175	\$ 33,956
Cash flow per share – basic and diluted	\$ 0.31	\$ 0.19	\$ 0.12
Property, plant and equipment expenditures	\$ (20,409)	\$ (8,217)	\$ (12,192)
<b>Grain Handling and Marketing Segment</b>			
Gross profit and net revenues from services	\$ 108,727	\$ 112,353	\$ (3,626)
EBITDA	\$ 70,091	\$ 62,414	\$ 7,677
Sales and other operating revenues	\$ 1,182,716	\$ 963,877	\$ 218,839
[A] Industry receipts – six major grains (tonnes)	8,526	8,521	5
Industry shipments – six major grains (tonnes)	8,276	8,733	(457)
[B] Primary elevator receipts – six major grains (tonnes)	3,684	3,748	(64)
Primary elevator shipments – (tonnes)	3,466	4,367	(901)
Six Major Grains	3,310	4,219	(909)
Industry terminal handle – six major grains (tonnes)	5,741	6,933	(1,192)
Port terminal receipts (tonnes)	2,083	2,640	(557)
Market share (%) – Country Receipts [B]/[A]	43.2%	44.0%	(0.8 pt)
Margin (\$ per grain tonne shipped)	\$ 31.37	\$ 25.73	\$ 5.64
<b>Agri-products Segment</b>			
Gross profit and net revenue from services	\$ 89,789	\$ 41,979	\$ 47,810
EBITDA	\$ 44,033	\$ 9,214	\$ 34,819
Sales and other operating revenues	\$ 308,072	\$ 172,836	\$ 135,236
Fertilizer*	\$ 228,087	\$ 126,779	\$ 101,308
Crop Protection	\$ 40,992	\$ 26,385	\$ 14,607
Seed	\$ 1,588	\$ 1,612	\$ (24)
Equipment sales and other revenue	\$ 37,405	\$ 18,060	\$ 19,345
Average Margin	29.1%	24.3%	4.8 pt
<b>Agri-food Processing Segment</b>			
Gross profit and net revenues from services	\$ 8,418	\$ 7,029	\$ 1,389
EBITDA	\$ 7,140	\$ 6,047	\$ 1,093
Sales and other operating revenues	\$ 54,187	\$ 49,271	\$ 4,916
Tonnes sold	80	106	(26)
Margin per tonne	\$ 105.23	\$ 66.31	\$ 38.92
<b>Livestock Feed and Services Segment</b>			
Gross profit and net revenues from services	\$ 11,077	\$ 14,947	\$ (3,870)
EBITDA	\$ (7,920)	\$ 2,532	\$ (10,452)
Sales and other operating revenues	\$ 181,751	\$ 108,529	\$ 73,222
Feed sales (tonnes)	501	374	127
Feed margin (\$ per feed tonne sold)	\$ 38.86	\$ 48.17	\$ (9.31)
Non-feed gross profit & net revenue from services	\$ (8,390)	\$ (3,068)	\$ (5,322)
<b>Financial Products Segment</b>			
EBITDA	\$ 3,907	\$ 3,216	\$ 691
<b>Corporate Expenses</b>			
EBITDA	\$ (16,993)	\$ (21,145)	\$ 4,152

<sup>1</sup> As restated, see Note 2(p) of the Consolidated Financial Statements

\* Consolidated sales from retail operations and Westco third party sales

Strong operating performance in Grain Handling and Marketing, Agri-products, Agri-food Processing, and the Financial Products segments drove higher sales in the most recent quarter relative to the comparable quarter of the prior year. Consolidated EBITDA for the quarter improved by \$38.0 million to \$100.3 million.

Gross margin increases more than offset higher Operating, General, and Administrative (“OG&A”) expenses. Higher OG&A expenses for the fourth quarter of 2008 were partially offset by consolidated pension and other post employment benefit income of \$20.4 million. While there were actuarial losses on assets during 2008 due to the downturn in financial markets, pension plan accounting requires that gains and losses are effectively smoothed over future periods, beginning in the following period. The actuarial losses in 2008 will not begin to impact the Company’s income directly until 2009 (see Note 16 of the Consolidated Financial Statements).

Amortization expenses of \$30.2 million for the quarter decreased by \$2.1 million compared to the same quarter in 2007, reflecting changes in accounting estimates to the useful lives of certain capital assets.

Consolidated EBIT (earnings before interest, taxes, gain (loss) on disposal of assets, integration expenses and recovery of (provision for) pension settlement – see Non-GAAP Measures on page 43) for the Company increased by \$40.0 million to \$70.0 million, compared to EBIT of \$30.0 million the year before.

Integration costs incurred during the quarter were \$2.4 million, a result of continuing severance, consulting and advisory, and other integration costs incurred by the Company during the period. These costs are down from the \$11.1 million incurred for the same period of 2007. (See discussion of Restructuring and Integration Matters in Section 11).

Financing costs were \$6.3 million for the quarter, down \$7.9 million from the comparable period last year, mainly due to decreased levels of short-term borrowings and lower interest rates on the Company’s debt facilities as well as interest income generated on the Company’s short-term investments.

Higher EBIT and lower integration and financing expenses, offset partially by proportionally higher income tax expense, resulted in consolidated net earnings of \$46.8 million (\$0.20 per share), compared to consolidated net earnings of \$0.8 million in the same quarter of the prior year (\$0.00 per share).

Viterra generated cash flow provided by operations of \$73.1 million (\$0.31 per share) for the three months ended October 31, 2008, compared to \$39.2 million (\$0.19 per share) in the same three months of 2007. During the fourth quarter, the Company’s non-cash working capital decreased by \$182.9 million from the third quarter, which mainly reflects the seasonality of the business with higher accounts payable during the period. Higher cash flow provided by operations, together with the decrease in non-cash working capital, resulted in total cash from operating activities of

\$256.0 million in the fourth quarter compared to \$262.9 million in the fourth quarter of 2007.

## 7.1 Grain Handling and Marketing

EBITDA was \$70.1 million, \$7.7 million higher than the same quarter last year, reflecting higher margins per tonne and lower OG&A expenses, which included the favourable pension adjustment noted below, partly offset by lower grain shipments.

Viterra shipped 3.5 million tonnes in the quarter, 0.9 million tonnes less than the same period a year ago. This was due to a 0.5 million tonne decline in industry shipments coupled with a lower Viterra share of industry shipments compared to the same quarter of 2007. Last year the harvest was early and, as a result, more grain flowed into the system in the August to October period. Additionally, lower grain prices in the most recent quarter prompted growers to withhold grain deliveries into the system in anticipation of improved global grain prices in subsequent periods.

Grain margins improved by 21.9% over the same period last year to \$31.37 per tonne. Better margins were the result of operational efficiencies in the value chain related to freight incentives, handling, cleaning, drying, and blending opportunities that were accentuated by unprecedented commodity prices in 2008, as well as improvements to merchant margins. In addition, there was approximately \$2.00 per tonne of synergies in the fourth quarter resulting from efficiencies achieved through the combination of the SWP and AU operations.

Gross profit and net revenues from services was \$108.7 million for the quarter, down slightly from last year’s gross profit of \$112.4 million. This decrease is due to lower grain shipments, offset, in part, by higher per-tonne margins during the quarter. OG&A expenses were \$38.6 million for the quarter, which included \$13.8 million of pension income in this segment during the period (as noted in Section 7 Consolidated Quarterly Operating Results). Excluding the pension income, OG&A expenses increased by \$2.5 million over the same three-month period of 2007. The increase reflected additional wages, salaries and benefits, and new costs associated with the implementation of an employee share purchase plan and short-term incentive accruals in the most recent quarter, offset partially by cost synergies realized during the period relating to the integration of AU.

EBIT for the Grain Handling and Marketing segment was \$59.0 million for the three months ended October 31, 2008, compared to EBIT of \$49.1 million in the same quarter of 2007.

## 7.2 Agri-products

Agri-products sales remained strong during the fourth quarter, rising by \$135.2 million to \$308.0 million. The increase was due largely to higher fertilizer prices, offset in part by lower volumes. World fertilizer prices began declining during the latter part of the quarter, prompting producers to delay fertilizer purchases in

anticipation of possible lower prices in coming periods. Additionally, excessive moisture levels in parts of Western Canada this fall also led to reduced applications of anhydrous ammonia (NH<sub>3</sub>).

Seed sales remained relatively the same compared to the fourth quarter last year at \$1.6 million. Sales of the Company's crop protection products increased \$14.6 million primarily driven by higher demand and prices for glyphosates (herbicides used to control weeds). Equipment sales and other revenue were \$19.3 million higher than the same period last year, reflecting higher storage bin and auger sales and the recognition of a \$10.1 million research and development investment tax credit, offset by lower NH<sub>3</sub> custom application revenue during the period.

Gross margin remained strong during the quarter, increasing \$47.8 million to \$89.8 million from \$42.0 million. Additionally, in accordance with GAAP, management estimates the value of its inventory each period at the lower of cost and net realizable value. Gross margin includes an inventory writedown of \$24.0 million to reflect the net realizable value of the Company's fertilizer inventory as at October 31, 2008. Excluding the inventory writedown, the net increase in gross margin compared to the prior quarter was \$71.8 million. This increase was largely due to the increase in fertilizer, crop protection products and equipment sales in the most recent quarter.

OG&A expenses increased by \$13.0 million, but included an asset retirement obligation charge of \$9.9 million (see Section 15.4 Environmental Matters), offset in part by \$5.5 million of pension income (as noted in Section 7 Consolidated Quarterly Operating Results). The remainder of the increase was due to additional wages, salaries and costs related to the Company's new employee share purchase plan, short-term incentive accruals, and as a result of the amalgamation of Westco into Viterra on November 1, 2008, the Company accrued severance costs of \$3.6 million, offset by cost synergies realized during the period relating to the integration of AU. Last year, the Company also had a reduction on its loan loss provision which had a favourable impact on OG&A expenses in the final quarter of 2007.

EBITDA improved by \$34.8 million in the quarter to \$44.0 million, compared to the same period in 2007, a result of higher gross profit offset, in part, by higher OG&A expenses.

EBIT for the Agri-products segment for the final quarter of 2008 was \$29.8 million, compared to an EBIT loss of \$5.6 million for the same quarter of 2007.

### 7.3 Agri-food Processing

Segment sales for the last quarter were \$54.2 million, 10.0% higher than the \$49.3 million reported in the same quarter ended October 31, 2007. Gross margins improved by \$1.4 million, or 19.8% over last year while average margins increased by 58.7% to \$105.23 per tonne compared to \$66.31 per tonne in 2007. Prairie Malt

benefited mainly from improved margins on higher selling prices while Can-Oat's margins improved due to higher sales prices and improved yields.

EBITDA of \$7.1 million improved by \$1.1 million (18.1%) for the quarter ended October 31, 2008 compared to the same period in 2007, due to improved commodity prices and margins, offset partially by lower volumes and higher operating expenses. EBIT for the last quarter of 2008 improved by \$1.4 million, to \$5.7 million, compared to EBIT of \$4.3 million in the same quarter of 2007.

### 7.4 Livestock Feed and Services

Feed sales of \$181.8 million for the quarter ended October 31, 2008 were \$73.2 million higher than the same period last year. Gross profit on feed for the quarter was \$19.5 million, compared to \$18.0 million in the prior comparable period. Higher sales and gross profit is primarily a result of higher volumes attributable to the Company's acquisitions of:

- Sunrise Feeds LLC ("Sunrise"), a U.S. manufacturer and retailer of beef, horse and other animal feed and pasture supplements, which closed on March 3, 2008,
- V-S Feed and Agri-Supplies Ltd. ("V-S Feed") in Alberta, which closed April 7, 2008, and
- Gore Bros., Inc. and Gore's Trucking, Inc., which closed on April 28, 2008.

Segment results also include an \$8.4 million loss in non-feed gross profit, which includes a further provision of \$5.7 million related to the Puratone investment and losses attributable to the Company's equity share in that investment. The loss and writeoff of this investment reflect the continuing downturn in the hog market. As of October 31, 2008, Viterra does not have any further exposure to Puratone.

OG&A expenses for the quarter were \$19.0 million, \$6.6 million higher than the same period last year. The increase reflects \$4.2 million of losses, which resulted when the Company settled a number of existing contractual obligations with several hog producers. Viterra has determined that livestock production is not a strategic fit for the organization going forward and has taken the necessary steps to exit. The losses also include writedowns on receivables and hog inventory and provisions for ongoing lease obligations on certain hog barns. The Company does not have any further exposure to hog production, but will continue to supply feed to the industry.

Additional fourth quarter OG&A expenses for the segment reflect costs associated with the new feed manufacturing plants that were acquired during fiscal 2008.

The EBITDA loss for the quarter was \$7.9 million (after provisions and writedowns of \$12.0 million were taken during the quarter). This compares to EBITDA of \$2.5 million for the same quarter ended October 31, 2007.

EBIT was a loss of \$10.7 million for the three months ended October 31, 2008 compared to an EBIT loss of \$0.3 million in the fourth quarter of 2007.

### 7.5 Financial Products

Results for the segment have some component of seasonality. The fourth quarter reflects a period in which accounts are still typically high reflecting deferred producer purchase programs. EBITDA of \$3.9 million in Financial Products relates to fees generated by Viterra Financial and Unifeed Financial during the quarter. This compares to EBITDA of \$3.2 million for the same period last year and reflects a larger portfolio value, a result of the expanded credit base and higher sales values in 2008. EBIT for the quarter was \$3.8 million.

### 7.6 Corporate

Corporate expenses of \$17.0 million in 2008 (2007 – \$21.1 million) reflect cost synergies realized from the acquisition of AU, partially offset by higher wages, salaries and costs related to the Company's new employee share purchase plan, short-term incentive accruals and \$1.1 million of pension income (as noted in Section 7 Consolidated Quarterly Operating Results).

## Selected Consolidated Financial Information

(in thousands – except percentages and per share amounts)

	Actual 12 Months Ended Oct. 31,		Better (Worse)	Actual 12 Months Ended Oct. 31,		Better (Worse)
	2008	2007 <sup>1,2</sup>		2008	15 Months Ended Oct. 31, 2007 <sup>2</sup>	
Sales and other operating revenues	\$ 6,777,566	\$ 3,535,174	\$ 3,242,392	\$ 6,777,566	\$ 3,875,816	\$ 2,901,750
Gross profit and net revenues from services	\$ 1,026,831	\$ 594,194	\$ 432,637	\$ 1,026,831	\$ 643,826	\$ 383,005
Operating, general and administrative expenses	(494,227)	(328,372)	(165,855)	(494,227)	(375,828)	(118,399)
EBITDA	532,604	265,822	266,782	532,604	267,998	264,606
Amortization	(106,832)	(62,940)	(43,892)	(106,832)	(70,391)	(36,441)
EBIT	425,772	202,882	222,890	425,772	197,607	228,165
Integration expenses	(14,622)	(20,029)	5,407	(14,622)	(20,029)	5,407
Recovery of (provision for) pension settlement	3,356	(5,000)	8,356	3,356	(5,000)	8,356
Gain on disposal of assets	1,263	35,234	(33,971)	1,263	35,287	(34,024)
Financing expenses	(37,785)	(33,994)	(3,791)	(37,785)	(36,178)	(1,607)
	377,984	179,093	198,891	377,984	171,687	206,297
Provision for corporate taxes						
Current portion	(19,422)	(2,540)	(16,882)	(19,422)	(2,617)	(16,805)
Future portion	(70,280)	(60,058)	(10,222)	(70,280)	(57,709)	(12,571)
Net earnings	\$ 288,282	\$ 116,495	\$ 171,787	\$ 288,282	\$ 111,361	\$ 176,921
Earnings per share	\$ 1.31	\$ 0.84	\$ 0.47	\$ 1.31	\$ 0.86	\$ 0.45

<sup>1</sup> These results reflect the actual unaudited consolidated results for the Company for the period November 1 to October 31, 2007 to align the Company's new fiscal period and are provided for comparative purposes only. These results include the results from the operations of Agrico United effective May 29, 2007 (the date of acquisition).

<sup>2</sup> As restated, see Note 2(p) of the Consolidated Financial Statements

## 8. ANNUAL FINANCIAL INFORMATION

### 8.1 Summary of Consolidated Results

Consolidated sales and other operating revenues for the year increased \$3.2 billion to \$6.8 billion (2007 – \$3.5 billion). Stronger sales contributed to further improvements in gross margins, which rose to \$1.0 billion, compared to \$0.6 billion for the year ended October 31, 2007. Annual sales and margins benefited from the contributions of the AU assets, which were acquired in 2007, along with a combination of improved grain volumes and strong commodity prices.

OG&A expenses were \$494.3 million for the 12 months ended October 31, 2008, \$165.9 million higher than the comparable period last year. Higher OG&A expenses reflect a full year of expenses attributable to the AU acquisition (compared to only five months of expenses in the prior comparable period). These were partially offset by \$19.9 million in consolidated pension and other post employment benefit income (See Section 7 Consolidated Quarterly Operating Results). A detailed description of OG&A expenses is included in each segment's discussion of annual results.

During the 12-month period ended October 31, 2008, Viterra generated EBITDA of \$532.6 million, an increase of \$266.8 million compared to the same 12-month period of 2007, which only included five months of results related to the AU acquisition compared to a full year of results in the current period. Higher gross margins and increased efficiencies in the Grain Handling and Marketing, Agri-products and Agri-food Processing segments were the main drivers for improved earnings in 2008.

A complete description of each segment's operating performance begins with Section 8.2.

Amortization for the year was \$106.8 million compared to \$62.9 million last year. The increase was largely the result of a full year's expense on the additional AU assets, which were revalued to their fair market value at the time of acquisition and are now being amortized based on their revised carrying costs.

Integration costs of \$14.6 million reflect severance, consulting and advisory costs, and other integration costs incurred by the Company in 2008. This is a decrease from the \$20.0 million of integration expenses incurred in 2007. Viterra's integration plans as at October 31, 2008 were virtually complete. More detail on these costs has been included in Section 11, Restructuring and Integration Matters.

The Company recorded a \$1.3 million gain on disposal of assets related to a number of capital asset sales during the year. This compares to last year's gain on disposal of assets of \$35.2 million, which consisted mostly of the sale of Viterra's North Shore terminal to Cargill and a gain on the Company's disposition of its shares in the Winnipeg Commodity Exchange.

Financing expenses were \$37.8 million for the year. This is net of \$18.8 million of interest income (which includes a \$6.3 million interest recovery related to an appeal of a federal tax reassessment) and a \$7.6 million CWB carrying charge recovery. Financing expenses were \$34.0 million in the same period of 2007, net of \$2.7 million of interest income and a \$4.1 million CWB carrying charge recovery. After adjusting for interest income and recoveries, financing expenses increased by \$29.7 million to \$70.5 million in

2008. This increase reflects the higher debt levels throughout 2008 relating to debt on the AU purchase. While much of the acquisition debt was repaid in late 2007, the remaining outstanding debt was subsequently refinanced in April with a long-term credit facility. A portion of the increase also relates to higher short-term borrowings due to higher working capital levels (see Section 9.2 Non-Cash Working Capital) that were required to finance higher volumes (at higher commodity values) and additional agri-product inventory to supply the Company's expanded network of assets.

For the year ended October 31, 2008, the Company recorded a net recovery of \$3.4 million on its pension settlement. On July 1, 2008, the Company and the Grain Services Union ("GSU") finalized the settlement of the dispute surrounding the SWP/GSU Pension Plan. The Company reversed the previous \$20.0 million provision, (\$15.0 million was recorded in fiscal 2006 and \$5.0 million was recorded in fiscal 2007) which reflected management's best estimate of the potential liability required to resolve the dispute at the time. The initial \$16.6 million funding requirement was expensed in 2008, with the net amount of \$3.4 million reflecting the net recovery on pension settlement for the year. For further information, please refer to Note 16 in the Notes to the Consolidated Financial Statements.

Viterra recorded a net corporate income tax provision of \$89.7 million in the 12-month period ended October 31, 2008, compared to a provision of \$62.6 million in the same period of 2007. The net provision in 2008 includes:

- a \$21.3 million recovery for an adjustment to the Company's future income tax balances as a result of the impact of federal tax reductions that were substantively enacted this year,
- a recovery of \$5.0 million for the successful appeal of a federal tax reassessment of its 1997 taxation year, and
- an additional \$1.8 million gain for the impact of the non-taxable portion of the related interest recovery.

Excluding the above adjustments, the effective tax rate in 2008 was 31.2%, compared to 35.0% for the same period last year. Due to Viterra's tax loss carry forwards, current taxes largely reflect those

## Breakdown of EBITDA By Segment

(in thousands)

	Actual 12 Months Ended Oct. 31,		Better (Worse)	Actual 12 Months Ended Oct. 31,		Actual 15 Months Ended Oct. 31,	Better (Worse)
	2008	2007 <sup>1,2</sup>		2008	2007 <sup>2</sup>		
Grain Handling and Marketing	\$ 299,297	\$ 170,697	\$ 128,600	\$ 299,297	\$ 182,224	\$ 117,073	
Agri-products	276,863	124,033	152,830	276,863	119,761	157,102	
Agri-food Processing	29,029	18,224	10,805	29,029	21,322	7,707	
Livestock Feed and Services	(6,086)	5,459	(11,545)	(6,086)	5,459	(11,545)	
Financial Products	8,846	3,895	4,951	8,846	3,895	4,951	
Corporate	(75,345)	(56,486)	(18,859)	(75,345)	(64,663)	(10,682)	
	\$ 532,604	\$ 265,822	\$ 266,782	\$ 532,604	\$ 267,998	\$ 264,606	

<sup>1</sup> See Note 1 under the table of Selected Consolidated Financial Information in Section 8.1

<sup>2</sup> As restated, see Note 2(p) of the Consolidated Financial Statements

of the Company's subsidiary operations and these increased by \$16.8 million over last year to \$19.4 million.

Viterra's net earnings grew by \$171.8 million to \$288.3 million during fiscal 2008. Earnings per share for the year were \$1.31 compared to \$0.84 per share in the same period last year, an increase of 56.0%.

## 8.2 Grain Handling and Marketing

### 8.2.1 Industry Shipments

Shipments in any given fiscal year are dependent primarily on grain receipts which are related to production levels and carry-out stocks from the prior year. Production of the six major grains in 2007 declined by an estimated 2.5% from 2006 production levels. As well, fewer carry-out stocks were available this fiscal year. As a

result, industry shipments for the year ended October 31, 2008 declined by 6.3% compared to the same 12-month period of 2007.

### 8.2.2 Viterra Shipments

For the 12-month period ended October 31, 2008, Viterra's total shipments increased to 14.7 million tonnes compared to 12.5 million tonnes for the same period of the prior year. The improvement in Company shipments over the prior year appears more favourable than those experienced by the industry. However, the Company's 2007 shipments are not comparable to those in the current year since they exclude shipments from AU before May 29, 2007, and include June shipments associated with those sites later sold to Cargill and JRI on June 30, 2007.

A more relevant measure of the Company's performance in this segment is Viterra's market share. Viterra determines its market share based on primary elevator receipts for the six major grains.

## Grain Handling and Marketing

(in thousands – except percentages and margins)

	Actual 12 Months Ended Oct. 31,		Better (Worse)	Actual 12 Months Ended Oct. 31,		Better (Worse)
	2008	2007 <sup>1,2</sup>		2008	15 Months Ended Oct. 31, 2007 <sup>2</sup>	
Gross profit and net revenues from services	\$ 473,657	\$ 317,427	\$ 156,230	\$ 473,657	\$ 356,416	\$ 117,241
Operating, general and administrative expenses	(174,360)	(146,730)	(27,630)	(174,360)	(174,192)	(168)
EBITDA	299,297	170,697	128,600	299,297	182,224	117,073
Amortization	(41,531)	(27,084)	(14,447)	(41,531)	(30,259)	(11,272)
EBIT	\$ 257,766	\$ 143,613	\$ 114,153	\$ 257,766	\$ 151,965	\$ 105,801
Operating Highlights						
Total sales and other operating revenue	\$ 4,299,496	\$ 2,279,641	\$ 2,019,855	\$ 4,299,496	\$ 2,501,334	\$ 1,798,162
[A] Industry receipts – six major grains (tonnes)	31,347	33,131	(1,784)	31,347	41,676	(10,329)
Industry shipments – six major grains (tonnes)	31,513	33,625	(2,112)	31,513	42,230	(10,717)
[B] Primary elevator receipts (tonnes)*	13,613	11,269	2,344	13,613	13,400	213
Primary elevator shipments (tonnes)	14,699	12,491	2,208	14,699	14,569	130
Six Major Grains	13,650	12,057	1,593	13,650	14,093	(443)
Industry terminal handle – six major grains (tonnes)	20,551	22,616	(2,065)	20,551	28,877	(8,326)
Port Terminal receipts (tonnes)	7,719	7,711	8	7,719	9,153	(1,434)
Vancouver	4,240	4,094	146	4,240	4,714	(474)
Thunder Bay	2,123	2,148	(25)	2,123	2,665	(542)
Prince Rupert Grain (Company share)	1,356	1,469	(113)	1,356	1,774	(418)
Market share (%) – Country Receipts* [B]/[A]	43.4%	34.0%	9.4 pt	43.4%	32.2%	11.2 pt
Margin (\$ per grain tonne shipped)	\$ 32.22	\$ 25.41	\$ 6.81	\$ 32.22	\$ 24.46	\$ 7.76
Licensed storage capacity (tonnes)**						
-Industry	5,312	5,196	2.2%	5,312	5,196	2.2%
-Company***	1,868	***	***	1,868	***	***
Inventory turns (shipments divided by capacity)						
-Industry	5.93 x	6.47 x	(0.54) x	5.93 x	6.50 x	(0.57) x
-Company	7.87 x	***	***	7.87 x	***	***

<sup>1</sup> See Note 1 under the table of Selected Consolidated Financial Information in Section 8.1

<sup>2</sup> As restated, see Note 2(p) of Consolidated Financial Statements

\* Represents Six Major Grains

\*\* CGC's Dec. 28, 2007 edition of Grain Elevators in Canada – updated to include new builds, expansions and closures

\*\*\* Comparatives for the 12 months ended October 31, 2007 are not meaningful because of the acquisition of AU on May 29, 2007

As noted in the Company's 2007 Annual Report, market share following the integration of AU was expected to normalize at about 42%. For the 12 months ended October 31, 2008, the Company's market share was 43.4%. Market share for the comparable period in 2007 was 34%, reflecting receipts for a full year through SWP facilities and for only five months through AU facilities.

The split in Viterra's annual receipts between CWB grains and open market grains was 51/49 in 2008, compared to 59/41 in 2007. The industry's split was approximately 56% CWB, 44% open market in 2008. The increase in the Company's proportion of open market shipments reflected strong demand from its destination customers for oilseeds products, particularly canola and flax. Viterra is now the leading merchandiser and exporter of canola in Western Canada, and this year's proportion of CWB shipments to open market grains is a better indication of the Company's grain handling mix going forward.

Viterra's port terminal receipts for the year were relatively the same as the prior year, increasing by 8,000 tonnes, which reflects the Company's increased primary market share and expanded country elevator capacity. Notably, results for the 12-month period ended October 31, 2007 included receipts from port terminal assets that were sold late in fiscal 2007. While Viterra's port terminal receipts improved over the prior year, the industry experienced lower overall port terminal receipts. Lower industry receipts were a factor of the lower grain handling volumes in fiscal 2008 and lower CWB exports of wheat and durum, which together contributed to a 9.1% decline in port terminal receipts for the industry.

For the year ended October 31, 2008, Viterra's share of shipments through the Prince Rupert Grain ("PRG") terminal (owned by a consortium that includes Viterra, Cargill, and JRI) was down 113,000 tonnes (7.7%). Viterra's portion of PRG's shipments declined because of increased volumes that were directed to that

facility by Cargill and JRI, who had more grain to move as a result of additional primary elevator capacity that they acquired from the Company following the AU acquisition last year.

Gross margin improved by \$6.81 per tonne to \$32.22 per tonne compared to \$25.41 per tonne in the prior year. This increase is due to:

- approximately \$2.00 per tonne of synergies resulting from the acquisition of AU,
- operational efficiencies related to freight and logistics incentives, handling, cleaning, drying and blending,
- inventory management improvements,
- higher commodity prices that enhanced the Company's blending gains,
- higher merchandising gains associated with the Company's management of open market grains, and
- incremental margins generated from the Company's handling of special crops.

Contributions from the Company's share of Prince Rupert Grain added an additional \$0.80 per tonne, or \$11.7 million in gross margin for the 12 months ended October 31, 2008.

Higher commodity prices in 2008 provided an opportunity for Viterra to increase margins, but at the same time resulted in additional costs. Select commodity prices are provided below to illustrate price changes year-over-year and relative to the 10-year averages.

Given the significant increases from 2007 to 2008, the marketplace had to adapt to significantly higher working capital financing costs during the year. As illustrated in the table above, canola prices averaged \$553.00 per tonne in 2008 compared to last year's average of \$370.00 per tonne. The resulting \$183.00 per tonne

## Select Commodity Prices

Per Tonne

	2008 Average	2007 Average	Increase (Decrease)	Oct. 31, 2008	10-Year Average	Increase (Decrease)
Wheat <sup>1</sup>	\$ 367.00	\$ 209.00	\$ 158.00	\$ 292.00	\$ 209.00	\$ 83.00
Feed Barley <sup>2</sup>	\$ 214.00	\$ 165.00	\$ 49.00	\$ 171.00	\$ 165.00	\$ 6.00
Oats (priced in U.S. Dollars) <sup>3</sup>	\$ 233.00	\$ 193.00	\$ 40.00	\$ 150.00	\$ 193.00	\$ (43.00)
Flax <sup>4</sup>	\$ 611.00	\$ 302.00	\$ 309.00	\$ 496.00	\$ 302.00	\$ 194.00
Canola <sup>5</sup>	\$ 553.00	\$ 370.00	\$ 183.00	\$ 413.00	\$ 370.00	\$ 43.00
Peas <sup>6</sup>	\$ 305.00	\$ 180.00	\$ 125.00	\$ 220.00	\$ 180.00	\$ 40.00

<sup>1</sup> No. 1 CWRS 11.5%

<sup>2</sup> No. 1 Feed, Lethbridge

<sup>3</sup> US No. 2 CBOT (US Dollars)

<sup>4</sup> No. 1 CW, I/S Thunder Bay

<sup>5</sup> No. 1 Canada, I/S Vancouver

<sup>6</sup> Producer Price, FOB Plant

increase in commodity values, assuming a 6% financing charge, would have resulted in additional interest costs of \$0.92 per tonne per month. It is important to note that, while the additional merchandising margins the Company enjoyed due to higher commodity prices were included in the segment results during the year, the corresponding increases in interest costs were reflected at the consolidated level as part of Viterro's overall financing expenses.

The chart on page 25 also illustrates that even though commodity prices have softened somewhat as of October 31, 2008, with the exception of oats, prices still remain well above the 10-year average.

For the 12 months ended October 31, 2008, OG&A expenses for the Grain Handling and Marketing segment increased by \$27.6 million to \$174.4 million, reflecting incremental wages, salaries, benefits, insurance, utilities, and other facilities costs associated with the larger grain elevator network, net of realized cost synergies. OG&A expenses for the same period of 2007 included only five months of costs related to AU facilities. A portion of the increase also represents additional costs necessary to complete its integration efforts for the year. OG&A expenses for the year were reduced by \$14.0 million of pension income (as noted in Section 7 Consolidated Quarterly Operating Results).

Strong grain handling volumes and margins and a full year of results from AU resulted in EBITDA improving by \$128.6 million to \$299.3 million compared to \$170.7 million for the same 12-month period of 2007.

### 8.3 Agri-products

Agri-product sales were up significantly in 2008, increasing by \$751.7 million to \$1.7 billion for the 12 months ended October 31, 2008 compared to the same period of 2007. Sales for the prior year exclude seven months (November 1, 2006 to May 31, 2007)

#### Agri-products

(in thousands – except percentages)

	Actual 12 Months Ended Oct. 31,		Better (Worse)	Actual 12 Months Ended Oct. 31,		Better (Worse)
	2008	2007 <sup>1</sup>		2008	15 Months Ended Oct. 31, 2007	
Gross profit and net revenues from services	\$ 437,613	\$ 219,176	\$ 218,437	\$ 437,613	\$ 225,206	\$ 212,407
Operating, general and administrative expenses	(160,750)	(95,143)	(65,607)	(160,750)	(105,445)	(55,305)
EBITDA	276,863	124,033	152,830	276,863	119,761	157,102
Amortization	(48,217)	(25,551)	(22,666)	(48,217)	(28,341)	(19,876)
EBIT	\$ 228,646	\$ 98,482	\$ 130,164	\$ 228,646	\$ 91,420	\$ 137,226
Operating Highlights						
Sales and other operating revenues	\$ 1,686,278	\$ 934,622	\$ 751,656	\$ 1,686,278	\$ 983,449	\$ 702,829
Fertilizer*	\$ 1,011,944	\$ 475,669	\$ 536,275	\$ 1,011,944	\$ 508,909	\$ 503,035
Crop Protection	\$ 416,811	\$ 342,117	\$ 74,694	\$ 416,811	\$ 352,484	\$ 64,327
Seed	\$ 174,475	\$ 65,694	\$ 108,781	\$ 174,475	\$ 66,190	\$ 108,285
Equipment sales and other revenue	\$ 83,048	\$ 51,142	\$ 31,906	\$ 83,048	\$ 55,866	\$ 27,182
Margin (% of Sales)	26.0%	23.5%	2.5 pt	26.0%	22.9%	3.1 pt

<sup>1</sup> See Note 1 under the table of Selected Consolidated Financial Information in Section 8.1

\* Consolidated sales from retail operations and Westco

of pre-acquisition sales attributable to AU and the additional 57% ownership in Westco, the Company's fertilizer wholesaler and distributor, while 2008 figures represent a full year of post-acquisition sales. The increase also reflects higher retail sales among all product lines. Fertilizer and seed product lines posted the largest sales increases of \$536.3 million and \$108.8 million, respectively, due to higher prices and volumes.

Fertilizer sales were \$1.0 billion for the year compared to \$475.7 million for the same period of 2007. Viterro's larger retail network, higher fertilizer prices and additional volumes all contributed to this increase. Fertilizer prices increased dramatically during the year due to tight world supplies, significant reductions in exports from China and increased demand from India, Brazil, and the United States. Domestically, higher grain and oilseed prices drove greater demand as producers purchased additional fertilizer volumes to maximize the yield potential of their crops.

Seed sales for the year were \$174.5 million, compared to \$65.7 million for the same period of 2007. Sales increases reflect the Company's larger retail network and significantly higher selling prices for cereal seed (a factor of higher commodity prices) and canola seed (a factor of increased demand for proprietary varieties and an increase in canola acres).

Sales of the Company's crop protection products increased \$74.7 million during the year, driven by higher prices of glyphosates (herbicides used to control weeds) that resulted from increased global demand and tight supply. Domestic demand was also strong as growers maximized their purchases to take advantage of higher grain and oilseed prices and excellent growing conditions.

Equipment sales and other revenue improved by \$31.9 million to \$83.0 million for the 12 months ended October 31, 2008, which reflected an increase in on-farm storage bin purchases, higher custom applications, and NH<sub>3</sub>-related services and rental revenues. Also included in other revenue was a \$10.1 million investment

tax credit that was recorded for Scientific Research and Experimental Development.

Gross margins were \$437.6 million for the year, \$218.4 million higher than gross margins of \$219.2 million for the 12-month period of 2007. In accordance with GAAP, management estimates the value of its inventory each period at the lower of cost and net realizable value. Gross margin for the 12 months ended October 31, 2008 includes an inventory writedown of \$24.0 million to reflect the net realizable value of the Company's fertilizer inventory. Excluding the inventory writedown, the net increase in gross margin compared to the prior year was \$242.4 million. This increase is due to higher margins in all product lines resulting from stronger sales, incremental earnings associated with the additional ownership interest in Westco, improved fertilizer margins realized on inventory appreciation (strong fertilizer prices during the year resulted in significant inventory value appreciation during the first three quarters of 2008), and higher crop protection margins (which also reflect a component of inventory appreciation in the earlier part of the fiscal year), offset, in part, by seed inventory writedowns (a factor of retired varieties).

OG&A expenses increased by \$65.6 million during the year to \$160.8 million. Incremental costs for the year reflect increased wages, salaries, benefits, insurance, utilities, and other facilities costs associated with the expanded retail network as well as the increased ownership interest in Westco, net of realized cost synergies. OG&A expenses for the same 12-month period ended October 31, 2007 included only five months of costs related to the AU retail assets and an additional 57% ownership in Westco. A portion of the increase also represents costs necessary to support the Company's integration efforts during the year as well as the new employee share purchase plan and short-term incentive accruals, and a \$9.9 million asset retirement obligation charge (see Section 15.4 Environmental Matters). OG&A expenses for the year were net of \$5.1 million of pension income (as noted in Section 7 Consolidated Quarterly Operating Results).

The increase in gross margins during the year significantly exceeded higher OG&A expenses and contributed to EBITDA of

\$276.9 million, an increase of \$152.8 million over the same 12-month period last year.

#### 8.4 Agri-food Processing

Agri-food Processing sales were up 18.8% to \$198.3 million in the 12-month period ended October 31, 2008, compared to \$166.9 million last year. The improvements were due to stronger demand for products sold by both Prairie Malt and Can-Oat Milling. Can-Oat's sales rose 22.1% during the most recent 12-month period, with volumes up about 8.5%.

Gross margins for the year improved by 40.6%, increasing to \$35.9 million compared to the same 12-month period of 2007. Effective November 1, 2007, Can-Oat dedesignated all of its foreign exchange contracts previously accounted for as hedges, such that gains or losses arising from marked-to-market adjustments since November 1, 2007 are recognized in net earnings. Total marked-to-market adjustments related to oat and foreign exchange contracts and realized gains amounted to a \$2.3 million gain in Can-Oat's gross margins during the year.

Excluding the above adjustment, Agri-food Processing gross margins improved by \$8.1 million in 2008. Prairie Malt benefited from improved margins mainly due to higher selling prices and lower valued inventory purchased earlier in the year. Can-Oat's margins improved in 2008 due to higher sales volumes and prices and more favourable yields. Can-Oat's yield factor for the year was 1.611, compared to 1.651 in 2007. This reflects a 2.5% reduction in the amount of raw oat used in its production which, in turn, contributed to higher margins.

The quality of the 2007 oat crop was exceptional with an increase in average yields. The majority of oats grown during the year exhibited excellent milling characteristics. As a result of the improved quality, Can-Oat's 2008 milling yields improved and capacity utilization was at a maximum throughout the year.

#### Agri-food Processing

(in thousands – except percentages and margins)

	Actual 12 Months Ended Oct. 31,		Better (Worse)	Actual 12 Months Ended Oct. 31,		Actual 15 Months Ended Oct. 31, 2007	Better (Worse)
	2008	2007 <sup>1</sup>		2008	2007		
Gross profit and net revenues from services	\$ 35,948	\$ 25,576	40.6%	\$ 35,948	\$ 30,189	19.1%	
Operating, general and administrative expenses	(6,919)	(7,352)	5.9%	(6,919)	(8,867)	22.0%	
EBITDA	29,029	18,224	59.3%	29,029	21,322	36.1%	
Amortization	(5,842)	(6,241)	6.4%	(5,842)	(7,727)	24.4%	
EBIT	\$ 23,187	\$ 11,983	93.5%	\$ 23,187	\$ 13,595	70.6%	
Operating Highlights							
Sales and other operating revenues	\$ 198,312	\$ 166,861	18.8%	\$ 198,312	\$ 203,495	(2.5%)	
Tonnes sold	330	342	(3.5%)	330	423	(22.0%)	
Margin per tonne	\$ 108.93	\$ 74.78	45.7%	\$ 108.93	\$ 71.37	52.6%	

<sup>1</sup> See Note 1 under the table of Selected Consolidated Financial Information in Section 8.1

OG&A expenses decreased 5.9% in the 12 months ended October 31, 2008 over the comparable period last year, due mainly to lower salary expenses.

Segment EBITDA was \$29.0 million for the 12 months ended October 31, 2008, up from \$18.2 million in the prior year, with increased sales, improved margins and lower OG&A expenses in both Can-Oat and Prairie Malt.

### 8.5 Livestock Feed and Services

Feed sales for the current year were \$604.4 million, an improvement of \$439.7 million over the same period last year. Gross profit on feed was \$81.1 million (\$42.99 per tonne) compared to \$27.9 million (\$44.44 per tonne) last year. Higher feed sales and gross profit were primarily a result of:

- performance for the prior year only includes results for the five months following the acquisition of AU (May 29, 2007 to October 31, 2007) while 2008 figures represent a full year of post-acquisition performance,
- the Company's acquisition of Sunrise Feeds LLC ("Sunrise"), a U.S. manufacturer and retailer of beef, horse and other animal feed and pasture supplements, which closed on March 3, 2008,
- the Company's acquisition of V-S Feed and Agri-Supplies Ltd. ("V-S Feed") in Alberta, which closed April 7, 2008 and
- the Company's acquisition of Gore Bros., Inc. and Gore's Trucking, Inc., which closed on April 28, 2008.

Results for the current year also include a \$15.1 million loss in non-feed gross profit, which includes losses attributable to the Company's equity share in Puratone and a further provision related

to that investment. Viterra's investment in Puratone, which was not considered core to its operations, was inherited through the acquisition of AU. The loss and writedown of the investment in Puratone reflect the continuing downturn in the hog market. As of October 31, 2008, Viterra does not have any further exposure to Puratone.

OG&A expenses for the current year were \$72.2 million, \$51.8 million higher than the same period last year. The increase includes \$15.3 million in losses, which resulted when the Company settled a number of existing contractual obligations with several hog producers. Viterra has determined that livestock production is not a strategic fit for the organization going forward and has taken the necessary steps to exit. The losses also include writedowns on receivables and hog inventory and provisions for ongoing lease obligations on certain hog barns. The Company does not have any further exposure to hog production, but will continue to supply feed to the industry.

The increase in OG&A also reflects higher wages, salaries, benefits, insurance, utilities, and other costs associated with the manufacturing feed plants acquired in fiscal 2008, as well as costs associated with the Company's new employee share purchase plan and short-term incentive accruals during the year.

The EBITDA loss for the current year was \$6.1 million compared to EBITDA of \$5.5 million last year. As described above, results for the current year include losses of \$32.0 million related to the continued downward trend in the hog cycle and the Company's decision to exit the hog business. Excluding these hog-related losses, EBITDA for the remaining operations (primarily feed milling) was \$25.9 million for the year.

### Livestock Feed and Services

(in thousands— except percentages and margins)

	Actual 12 Months Ended Oct. 31,		Better (Worse)	Actual 12 Months Ended Oct. 31,		Better (Worse)
	2008	2007 <sup>1</sup>		2008	2007	
Gross profit and net revenues from services	\$ 66,065	\$ 25,788	\$ 40,277	\$ 66,065	\$ 25,788	\$ 40,277
Operating, general and administrative expenses	(72,151)	(20,329)	(51,822)	(72,151)	(20,329)	(51,822)
EBITDA	(6,086)	5,459	(11,545)	(6,086)	5,459	(11,545)
Amortization	(10,239)	(3,889)	(6,350)	(10,239)	(3,889)	(6,350)
EBIT	\$ (16,325)	\$ 1,570	\$ (17,895)	\$ (16,325)	\$ 1,570	\$ (17,895)
Operating Highlights						
Feed sales (tonnes)	1,887	627	1,260	1,887	627	1,260
Feed sales and other operating revenues	\$ 604,404	\$ 164,697	\$ 439,707	\$ 604,404	\$ 164,697	\$ 439,707
Non-feed sales and other operating revenues	\$ 21,543	\$ 17,262	\$ 4,281	\$ 21,543	\$ 19,247	\$ 2,296
Feed margin (\$ per feed tonne sold)	\$ 42.99	\$ 44.44	\$ (1.45)	\$ 42.99	\$ 41.28	\$ 1.71
Non-feed gross profit and net revenue from services	\$ (15,055)	\$ (2,079)	\$ (12,976)	\$ (15,055)	\$ (94)	\$ (14,961)

<sup>1</sup> See Note 1 under the table of Selected Consolidated Financial Information in Section 8.1

## 8.6 Financial Products

### Financial Products

(in thousands – except percentages)

	Actual 12 Months Ended Oct. 31,		Better (Worse)	Actual 12 Months Ended Oct. 31,		Actual 15 Months Ended Oct. 31,	Better (Worse)
	2008	2007 <sup>1</sup>		2008	2007		
Gross profit and net revenues from services	\$ 13,548	\$ 6,227	\$ 7,321	\$ 13,548	\$ 6,227	\$ 7,321	\$ 7,321
Operating, general and administrative expenses	(4,702)	(2,332)	(2,370)	(4,702)	(2,332)	(2,370)	(2,370)
EBITDA	8,846	3,895	4,951	8,846	3,895	4,951	4,951
Amortization	(420)	(175)	(245)	(420)	(175)	(245)	(245)
EBIT	\$ 8,426	\$ 3,720	\$ 4,706	\$ 8,426	\$ 3,720	\$ 4,706	\$ 4,706
Total sales and revenues from services	\$ 13,548	\$ 5,579	142.8%	\$ 13,548	\$ 5,579	142.8%	142.8%

<sup>1</sup> See Note 1 under the table of Selected Consolidated Financial Information in Section 8.1

As a new operating segment of the Company following the acquisition of AU, Financial Products gross profit for the first quarter of 2008 primarily represented earnings associated with credit to former AU customers. Previous credit arrangements for SWP agri-products customers were advanced through FCC. On February 4, 2008, the outstanding credit receivables owned by FCC were sold to a Canadian Schedule I chartered bank. Since Viterra acts as an agent for this bank through Viterra Financial and Unifeed Financial, performance in this segment for the remaining quarters of fiscal 2008 now includes the results of operations with respect to credit advanced to all participating Viterra customers. Performance is a reflection of both higher values of crop inputs and increased lending activities to former SWP customers due to alternative lending programs available through Viterra Financial.

The profitability of this segment relates to the level, duration and quality of credit in a given period, which, in turn, is influenced by crop input and feed prices, farm income levels, and interest rates.

Gross profit of \$13.5 million for the year ended October 31, 2008 increased by \$7.3 million compared to the same period last year because of a larger portfolio value in 2008, a result of the expanded credit base and higher sales values this year compared to the prior

year. In addition, prior year results only represent five months of earnings (from the acquisition date of May 29, 2007 to October 31, 2007).

OG&A expenses increased by \$2.4 million to \$4.7 million in 2008. OG&A expenses for the same 12-month period ended October 31, 2007 included only five months of costs related to the AU operations.

Higher gross profit contributed to EBITDA of \$8.8 million for the 12 months ended October 31, 2008.

### 8.7 Corporate

OG&A expenses increased by \$18.9 million over the comparable period of 2007, however, OG&A expenses in 2007 included only five months of costs related to AU facilities. The results also reflect higher benefit costs for short-term and long-term incentive plans, a new employee share purchase plan, and increased office and administration costs, offset by synergies realized through the acquisition of AU and \$0.8 million of pension income (as noted in Section 7 Consolidated Quarterly Operating Results).

### Corporate Expenses

(in thousands)

	Actual 12 Months Ended Oct. 31,		Better (Worse)	Actual 12 Months Ended Oct. 31,		Actual 15 Months Ended Oct. 31,	Better (Worse)
	2008	2007 <sup>1</sup>		2008	2007		
Operating, general and administrative expenses	\$ (75,345)	\$ (56,486)	\$ (18,859)	\$ (75,345)	\$ (64,663)	\$ (10,682)	\$ (10,682)
Amortization	(583)	–	(583)	(583)	–	(583)	(583)
EBIT	\$ (75,928)	\$ (56,486)	\$ (19,442)	\$ (75,928)	\$ (64,663)	\$ (11,265)	\$ (11,265)

<sup>1</sup> See Note 1 under the table of Selected Consolidated Financial Information in Section 8.1

## 8.8 Outlook

*In addition to other sections of the Company's report, this section contains forward-looking information and actual outcomes may differ materially from those expressed or implied therein. For more information, please see "Forward-Looking Information" on page 45 of this report.*

Good weather during the 2008 growing season, particularly in June and July, coupled with increased utilization of crop inputs, resulted in above average crop yields and good quality. While harvest got off to a slow start, above average temperatures in the latter part of September and early October allowed producers to make up lost harvest time. The western Canadian harvest was essentially complete by mid-October, producing 57.7 million tonnes of grains and oilseeds (six major grains), an increase of over 25% from last year. With the exception of oats, production was up in all categories, including a record 12.6 million tonnes of canola and a record 3.6 million tonnes of dry peas.

The CWB estimates that 70% of the spring wheat is in the top two grades, which is better than in an average year. Canola quality is similar to last year with the majority grading in the top grade, while the average oil content improved from 42.8% last year to 44.1% this year. Malt barley quality was also above average.

Management estimates fiscal 2009 industry receipts of 32 to 33 million tonnes for the six major grains. The record production of 2008 is not expected to necessarily translate into proportionately higher grain handling volumes in fiscal 2009. Management currently expects an increase of carry-out stocks into the following crop year, which will supplement future grain handling volumes.

The CWB estimates its export program for the 2009 crop year will reach 17.6 million tonnes this crop year, slightly ahead of the 17.3 million tonnes exported in 2008. For open market grains, management currently expects increased exports for most commodities relative to last year, particularly canola, given its competitive price on the world market and the growing demand for healthy oil. The exception will be pea exports, which are expected to decrease, due to large residual stocks and the recent economic turmoil in India. These estimates can change based on domestic and international demand.

Grain margins for fiscal 2009 are not expected to reach 2008 levels, given the recent reductions in commodity prices and the expected effect on merchandising opportunities and blending gains. However, management currently anticipates margins in the \$26 per tonne range, well above the \$21 per tonne historical averages within the Canadian grain handling system.

Although commodity prices softened somewhat in the latter part of 2008, net incomes of western Canadian producers are expected to be some of the best on record with farm cash receipts this past year increasing by 12% in Manitoba, 25% in Saskatchewan, and 18% in Alberta from 2007.

For Agri-products, lower grain prices, combined with the late harvest and declining fertilizer prices (which were partially offset in

Canada by a weakening Canadian dollar since fertilizer is priced in U.S. dollars), caused producers to defer their fall fertilizer purchases into the upcoming growing season. Consequently, inventory build-ups have occurred at both the manufacturing and retail levels.

Nitrogen prices may have reached bottom and have recently shown some rebound due to global production cutbacks of 10% to 15%. However, phosphate pricing has further softened since October 31, 2008. Based on current market pricing, management expects to record a writedown in the \$30 million to \$40 million range on its fertilizer inventory position at the end of the first quarter of 2009. Looking forward to the upcoming growing season, production cutbacks by major fertilizer manufacturers are expected to lead to tight supplies in the spring. Farmer demand is expected to be strong given the need to replenish soil nutrient levels after the record harvest of 2008. Viterra's retail distribution system is well positioned to deal with these anticipated demand pressures. Seed bookings for the spring have been progressing as expected while the sales of equipment, in particular corrugated storage bins, have remained strong due to increased producer cash flow in 2008. Management expects this trend to continue into 2009.

Viterra's oat processing operations anticipate steady performance in 2009. Demand for whole grain, nutritional food ingredients continues to remain strong and demand for oat ingredients is expected to continue to grow. With the economic challenges facing North America, management anticipates an increase in private label/store brand ready-to-eat cereals and possibly more consumption of oatmeal. Consumer demand for economical whole grain convenience in the form of granola bars and meal replacement bars will continue to provide growth opportunities, although premium products, such as organics, may slow down and possibly retract due to the recession. Oat supplies from the 2008 harvest are adequate and the quality for milling purposes is generally average to very good, which should support production yields.

Weakness in the Canadian dollar relative to the past couple of years is providing Can-Oat with the opportunity to fix foreign exchange rates on U.S. and international sales at attractive levels.

In the Canadian livestock sector, the decline in feed ingredient costs, together with the softening of the Canadian dollar, are expected to be positive for feed manufacturers in fiscal 2009. Demand from the dairy and poultry sectors is anticipated to remain steady. The Canadian hog industry is recovering and as such, demand may be light in the near-term.

In the United States, the poor economic situation may temporarily reduce demand for meat and dairy products. Livestock producers will be focused on managing input costs, putting pressure on feed manufacturers to produce lower cost feed rations. Given these supply/demand fundamentals, management anticipates some margin pressures within its U.S. operations in 2009, which are expected to be somewhat offset by the impact of the recovery currently underway in the Canadian livestock industry.

With the annualized impact of the Company's latest acquisitions, U.S. feed volumes are expected to be between 1.4 and 1.5 million tonnes in 2009, bringing total expected feed volumes up to 2.4 million tonnes.

The Company has already approved over 21,500 customers for approximately \$1.0 billion in credit for the 2009 growing season. Even though credit markets around the world have been tightening, Viterra's farm customers continue to have access to financing (funded by a Canadian Schedule 1 chartered bank) for their crop input needs. Through this relationship, a total of \$1.4 billion in credit is expected to be extended to Viterra customers by the spring of 2009.

### 8.9 Select Three-Year Annual Financial Information

As noted in Section 1 of this MD&A, in 2007, Viterra changed its financial year end from July 31 to October 31 to better align its reporting period with its business cycle. As a result, the Consolidated Financial Statements for fiscal 2007 reflect a 15-month transitional period from August 1, 2006 to October 31, 2007, and include the consolidated results of the Company since the AU acquisition date of May 29, 2007, including the results of operations for the month of June for a number of facilities that were later sold to JRI and Cargill at the end of June 2007. The acquisition of AU materially increased the assets, liabilities, sales, employees, market share and operating capacity of the Company.

The results for the 12 months ended October 31, 2008 better reflect this change. More information regarding the results of operations for the 2008 period relative to 2007 can be found in the discussion in Sections 8.1 to 8.7.

The \$2.3 billion improvement in sales in 2007 from 2006 was mainly due to higher sales in all segments, as well as the contributions from the AU assets that were acquired in 2007. The largest increase in sales came from the Grain Handling and Marketing segment, which increased by \$1.6 billion over the prior year, and Agri-products, which increased by \$0.4 billion. In addition, as described above, results for the 15 months ended October 31, 2007 include an additional three months of performance as the Company changed its financial year end during the period. Strong performance in the Grain Handling and Marketing segment accounted for \$118.7 million of the \$190.1 million increase in EBITDA in fiscal 2007 compared to 2006, while solid results in the Company's Agri-products segment resulted in a \$90.7 million increase in EBITDA. Higher EBITDA in Grain Handling and Marketing was a result of higher grain margins and an additional 6.7 million tonnes of grain shipments in 2007. Improved results in the Company's Agri-products segment in 2007 reflected higher sales in all product lines as well as higher margins in fertilizer, a result of substantially higher fertilizer prices during that year. For a more complete discussion on the results of the 2007 fiscal year relative to 2006, please see the Company's MD&A in its 2007 Annual Report.

### Select Annual Financial Information

For the period ended  
(\$ millions – except per share amounts)

	<b>12 Months Ended Oct. 31, 2008</b>	12 Months Ended Oct. 31, 2007 <sup>2,3</sup>	15 Months Ended Oct. 31, 2007 <sup>2</sup>	12 Months Ended Jul. 31, 2006
Sales and other operating revenues	<b>\$ 6,777.6</b>	\$ 3,535.2	\$ 3,875.8	\$ 1,575.7
EBITDA	<b>\$ 532.6</b>	\$ 265.8	\$ 268.0	\$ 77.9
EBIT	<b>\$ 425.8</b>	\$ 202.9	\$ 197.6	\$ 50.2
Net earnings (loss) from continuing operations <sup>1</sup>	<b>\$ 288.3</b>	\$ 116.5	\$ 111.4	\$ (6.8)
Basic and diluted earnings (loss) from continuing operations per share	<b>\$ 1.31</b>	\$ 0.84	\$ 0.86	\$ (0.08)
Net earnings (loss)	<b>\$ 288.3</b>	\$ 116.5	\$ 111.4	\$ 0.5
Basic and diluted earnings (loss) per share	<b>\$ 1.31</b>	\$ 0.84	\$ 0.86	\$ 0.01
Total assets	<b>\$ 3,988.5</b>	\$ 3,042.1	\$ 3,042.1	\$ 774.0
Total long-term liabilities	<b>\$ 826.0</b>	\$ 482.8	\$ 482.8	\$ 141.6
Cash dividends declared per share	<b>\$ –</b>	\$ –	\$ –	\$ –

<sup>1</sup> Before discontinued operations

<sup>2</sup> As restated, see Note 2(p) of the Consolidated Financial Statements

<sup>3</sup> See Note 1 under the table of Selected Consolidated Financial Information in Section 8.1

## 9. LIQUIDITY AND CAPITAL RESOURCES

### 9.1 Cash Flow Information

#### 9.1.1 Operating Activities

##### Cash Flow Provided by Operations

(in thousands – except per share amounts)

	Actual 12 Months Ended Oct. 31,		Better (Worse)	Actual 12 Months Ended Oct. 31,		Better (Worse)
	2008	2007 <sup>1</sup>		2008	15 Months Ended Oct. 31, 2007	
EBITDA	\$ 532,604	\$ 265,822	\$ 266,782	\$ 532,604	\$ 267,998	\$ 264,606
Add (deduct):						
Employee future benefits	(19,918)	(3,162)	(16,756)	(19,918)	(2,931)	(16,987)
Equity loss (earnings) of significantly influenced companies	10,963	1,833	(9,130)	10,963	1,794	(9,169)
Other items	(24)	1,485	(1,509)	(24)	1,635	(1,659)
Adjusted EBITDA	523,625	265,978	257,647	523,625	268,496	255,129
Integration expenses	(14,622)	(20,029)	5,407	(14,622)	(20,029)	5,407
Cash interest expense	(33,315)	(31,689)	(1,626)	(33,315)	(33,382)	67
Pre-tax cash flow	475,688	214,260	261,428	475,688	215,085	260,603
Current income taxes	(19,422)	(2,540)	(16,882)	(19,422)	(2,617)	(16,805)
Cash Flow Provided by Operations	\$ 456,266	\$ 211,720	\$ 244,546	\$ 456,266	\$ 212,468	\$ 243,798
Per share	\$ 2.08	\$ 1.53	\$ 0.55	\$ 2.08	\$ 1.65	\$ 0.43

<sup>1</sup> See Note 1 under the table of Selected Consolidated Financial Information in Section 8.1

For the 12 months ended October 31, 2008, Vitertra generated cash flow provided by operations of \$456.3 million, an increase of \$244.5 million over the comparable period last year. On a per share basis, the Company generated cash flow provided by operations of \$2.08 per share compared with \$1.53 per share in the comparable period last year. The improvement reflects higher EBITDA and

lower integration costs, partially offset by increased cash financing costs and current income taxes. Actual current income taxes are significantly less than those imputed using the prevailing tax rate on pre-tax cash flows due to the tax shield provided by capital cost allowance and the Company's tax loss carry-forwards.

##### Cash Flow Provided by (Used in) Operating Activities

(in thousands – except per share amounts)

	Actual 12 Months Ended Oct. 31,		Better (Worse)	Actual 12 Months Ended Oct. 31,		Better (Worse)
	2008	2007 <sup>1</sup>		2008	15 Months Ended Oct. 31, 2007	
Net earnings	\$ 288,282	\$ 116,495	\$ 171,787	\$ 288,282	\$ 111,361	\$ 176,921
Adjustments for items not involving cash	167,984	95,225	72,759	167,984	101,107	66,877
Cash flow provided by operations*	\$ 456,266	\$ 211,720	\$ 244,546	\$ 456,266	\$ 212,468	\$ 243,798
Changes in non-cash working capital items	(172,545)	(152,549)	(19,996)	(172,545)	(158,430)	(14,115)
Cash flow provided by (used in) operating activities	\$ 283,721	\$ 59,171	\$ 224,550	\$ 283,721	\$ 54,038	\$ 229,683
<b>Free Cash Flow*</b>						
Cash flow provided by operations*	\$ 456,266	\$ 211,720	\$ 244,546	\$ 456,266	\$ 212,468	\$ 243,798
Property, plant and equipment expenditures	(55,583)	(114,884)	59,301	(55,583)	(127,255)	71,672
Free Cash Flow	\$ 400,683	\$ 96,836	\$ 303,847	\$ 400,683	\$ 85,213	\$ 315,470

<sup>1</sup> See Note 1 under the table of Selected Consolidated Financial Information in Section 8.1

\* See Non-GAAP Measures in Section 19

Free cash flow is measured by cash flow provided by operations less capital expenditures and does not reflect changes in non-cash working capital (see Non-GAAP Measures in Section 19). For the 12 months ended October 31, 2008, free cash flow increased by \$303.8 million to \$400.7 million from the comparable period of the prior year.

### 9.1.2 Investing Activities

Viterra's capital expenditures (excluding business acquisitions) for the 12 months ended October 31, 2008 were \$55.6 million. This compares to \$114.9 million in capital expenditures for the comparable period of the prior year, which included \$85 million for the acquisition of a 50% interest in the Cascadia port terminal facility from Cargill. Capital expenditures in 2008 reflect a number of capital improvements and expansions undertaken in the ordinary course of business.

Proceeds from the sale of certain capital assets totalled \$5.3 million for the current year. Proceeds of \$434.0 million for year ended October 31, 2007 largely reflect the sale of property, plant and equipment assets to JRI (\$255 million), and the sale of the Company's North Shore, Vancouver facility (\$84 million) and certain other assets to Cargill (\$70 million).

On an annualized basis, Viterra expects consolidated sustaining capital expenditures will be approximately \$80 million, an increase of \$20 million over management's last guidance on sustaining capital expenditures. These are expected to be funded by cash flow provided by operations.

### 9.2 Non-Cash Working Capital

#### Non-Cash Working Capital

As at October 31 (in thousands)

	2008	2007 <sup>1</sup>	Better (Worse)
Inventories	\$ 837,943	\$ 785,695	\$ 52,248
Accounts receivable	773,830	458,914	314,916
Prepaid expenses and deposits	91,183	51,685	39,498
Accounts payable and accrued liabilities	(928,596)	(723,945)	(204,651)
	\$ 774,360	\$ 572,349	\$ 202,011

<sup>1</sup> As restated, see Note 2(p) of Consolidated Financial Statements

Inventory levels at October 31, 2008 were \$52.2 million higher than at October 31, 2007 reflecting higher fertilizer inventories and prices, offset by lower grain inventory levels. Prepaid expenses and deposits were \$39.5 million higher mainly due to higher prepayments to agri-products suppliers.

Accounts receivable at October 31, 2008 were \$314.9 million higher than at October 31, 2007. The increase in receivables largely reflects higher trade receivables associated with increased sales and higher commodity prices during the year.

Accounts payable and accrued liabilities were up \$204.7 million over the balance at October 31, 2007. The increase in trade payables primarily reflects amounts owing in respect of the higher agri-products inventories noted above as well as an increase in customer deposits. Accrued liabilities increased due to additional accruals for interest costs and additional costs associated with the Company's performance incentive plan, which reflects improved operational performance relative to pre-defined Company targets.

Increased working capital requirements were financed by cash flow provided by operations.

### 9.3 Financing Activities

#### Key Financial Information\*

As at October 31 (in thousands – except percentages, pts and ratios)

	2008	2007 <sup>1</sup>	Better (Worse)
Funded Debt, Net of Cash and Cash Equivalents	\$ (41,153)	\$ 599,526	\$ 640,679
EBITDA	\$ 532,604	\$ 265,822	\$ 266,782
Ratios			
Current Ratio	2.53 x	1.34 x	1.19 x
Total Debt-to-Capital	22.2%	31.0%	8.8 pt
Long-Term Debt-to-Capital	21.6%	14.6%	(7.0 pt)

\* See Non-GAAP Measures in Section 19

<sup>1</sup> As restated, see Note 2(p) of Consolidated Financial Statements

The Company's total funded debt, net of cash and short-term investments decreased by \$640.7 million from the same period last year due to a decrease in short-term borrowings of \$334.8 million and an increase of \$601.0 million in cash and short-term investments, offset by an increase in long-term debt, including the current portion of \$298.9 million. The increase in cash was attributable to a common share offering that was completed by the Company in May 2008 that raised net proceeds of \$441.5 million as well as cash flow provided by operations. Cash distributions from the Company's principal subsidiaries (those in which the Company has at least a 50% interest) occur at regular intervals and the Company maintains an active role in all decisions affecting cash distributions from these subsidiaries. The Company does not rely on distributions from subsidiaries or joint ventures to fund its capital spending programs or to meet its financial obligations.

Long-term debt (including the current portion) was \$610.1 million at October 31, 2008, up \$298.9 million from the \$311.2 million reported at the same time last year. The increase is attributable to a new \$400 million, five-year term credit facility ("Long-term Facility") that was secured on May 15, 2008. At October 31, 2008, the Company had drawn approximately \$300 million (\$225 million in Canadian funds and \$75 million in U.S. funds). Subsequent to year end, the Company drew the remaining \$100 million in Canadian funds. Approximately \$232.0 million of the proceeds from the new facility was used to fully repay outstanding amounts on a bridge

facility that was put in place to partially fund the acquisition of AU last year. The remaining funds are expected to be used for general corporate purposes, including the funding of future acquisitions.

During the year, the Company entered into interest rate swaps to convert the Company's floating rate exposure on the outstanding drawings on the Long-term Facility to a fixed interest rate obligation. As a result of the swap transactions, the hedged fixed rate, based upon Viterra's current credit ratings, is at approximately 5.9% on \$225 million of Canadian dollar borrowings, 4.1% on an additional \$100 million of Canadian dollar borrowings that were drawn on December 17, 2008, and approximately 6.1% on \$75 million of U.S. dollar borrowings, with minimum mandatory repayments of 4% per annum.

Short-term borrowings decreased \$334.8 million to \$17.8 million at October 31, 2008, compared to \$352.5 million reported in the prior year reflecting the above-noted bridge facility repayment as well as the pay down of short-term borrowings from cash flow provided by operations.

The table below summarizes the existing credit facilities of the Company, not including member loans, subsidiaries or joint ventures, as at October 31, 2008.

Short-term debt is used at various times during the year to finance operating requirements, which primarily consist of grain and agri-products inventory purchases and financing of accounts receivable from the CWB and other trade accounts.

Typically, the revolving credit lines are used to purchase inventories in the months prior to the agri-product spring selling season and reflect the significant seasonal variations in that business segment. The Company's leverage ratio will typically decline to its lowest quarterly level at July 31, representing the Company's core non-seasonal level of working capital. The level of short-term debt can also fluctuate as a result of changes in underlying commodity prices and the timing of grain purchases.

Management believes that cash flow from operations and its access to undrawn credit facilities will provide Viterra with

sufficient financial resources to fund its working capital requirements, planned capital expenditure programs, and debt servicing requirements. This belief is predicated upon the Company's expectations of future commodity and crop input prices, and the expected turnover of inventory and accounts receivable components of working capital. (See Forward-Looking Information on page 45 of this report).

#### 9.4 Debt Ratings

On July 24, 2008, DBRS Limited ("DBRS") upgraded the rating on both Viterra's Senior Unsecured Notes and Term Credit Facility to BBB (Low) from BB (High), with a stable trend. According to DBRS, the upgrade was based on the Company's success in achieving its merger targets to date while generating enhanced earnings stability following the acquisition of AU last year. The ratings upgrade also recognized the \$441.5 million equity issue that occurred in May 2008.

On July 31, 2008, Standard & Poor's ("S&P") raised the Company's long-term corporate credit rating from BB to BB+, with a positive outlook. S&P also increased the rating on Viterra's Revolving Credit Facility to BBB from BBB- and the rating on the Company's Senior Unsecured Notes to BB+ from BB. According to Standard and Poor's, the ratings upgrade considered Viterra's leading position in Canadian agri-business and improved profitability from its integration of AU.

On September 15, 2008, Viterra secured new corporate credit ratings from Moody's Investors Services ("Moody"), a New York-based credit rating agency. Both Viterra's corporate credit rating and the rating on the Company's \$300 million of public notes were assigned a Ba1 rating, one level below investment grade. The outlook on the Company is stable. Moody's cited strong industry supply and demand dynamics, Viterra's solid operating earnings, the Company's focus and scale relative to other global agricultural players, low leverage and strong credit metrics, as the primary factors supporting its decision.

Credit Facility	Amount Drawn	Interest Rate	Due Date (Expiry)	Bullet Payments
Senior Unsecured Notes <sup>1</sup>	\$ 100,000	8.00% Fixed	April 08, 2013	None
Senior Unsecured Notes <sup>2</sup>	\$ 200,000	8.50% Fixed	August 01, 2017	None
Long-term Facility <sup>3</sup>	\$ 300,000	BA + 90 BP <sup>4</sup>	May 15, 2013	4% per annum
Revolving Credit Facility <sup>5</sup>	—	Prime or BA + 90 BP	August 10, 2010	n/a

<sup>1</sup> Rank *pari passu* with Term Credit Facility

<sup>2</sup> Rank *pari passu* with Term Credit Facility

<sup>3</sup> 1st charge on property, plant and equipment; 2nd charge on all other assets of the Company (including certain subsidiaries, property, plant and equipment and the subsidiaries capital stock)

<sup>4</sup> Interest rate swaps were put in place to fix the effective rate at 5.9% on \$225 million of Canadian funds and 6.1% on \$75 million of U.S. funds. An additional CAD \$100 million was drawn December 17, 2008 with an effective fixed rate of 4.1%.

<sup>5</sup> 1st charge on all assets of the Company and certain subsidiaries other than property, plant and equipment; 2nd charge on property, plant and equipment. Term extendable at option of borrower up to August 10, 2012. Maximum credit limit is the lower of \$800 million or the calculated borrowing base of the facility.

	Corporate Rating	Senior Unsecured Notes	Term Credit Facility	Revolving Credit Facility	Trend
<b>Standard &amp; Poor's</b>	BB+	BB+	n/a	BBB	Positive
<b>DBRS Limited</b>	n/a	BBB (Low)	BBB (Low)	n/a	Stable
<b>Moody's Investors Service</b>	Ba1	Ba1	n/a	n/a	Stable

## 9.5 Contractual Obligations

(in thousands)

	Total	Principal Payments Due by Period			
		Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
<b>Balance Sheet Obligations</b>					
Short-term debt	\$ 17,769	\$ 17,769	\$ –	\$ –	\$ –
Long-term debt	621,509	14,703	27,624	378,917	200,265
Other long-term obligations	62,973	18,709	25,143	7,963	11,158
	<b>702,251</b>	<b>51,181</b>	<b>52,767</b>	<b>386,880</b>	<b>211,423</b>
<b>Other Contractual Obligations</b>					
Operating leases	\$ 47,029	15,611	17,762	8,872	4,784
Purchase obligations <sup>1</sup>	801,610	795,160	6,450	–	–
	<b>848,639</b>	<b>810,771</b>	<b>24,212</b>	<b>8,872</b>	<b>4,784</b>
<b>Total Contractual Obligations</b>	<b>\$ 1,550,890</b>	<b>\$ 861,952</b>	<b>\$ 76,979</b>	<b>\$ 395,752</b>	<b>\$ 216,207</b>

<sup>1</sup> Substantially all of the purchase obligations represent contractual commitments to purchase commodities and products for resale

## 10. OUTSTANDING SHARE DATA

On May 9, 2008, the Company completed an offering for 28,600,000 common shares at a price of \$14.00 per share. Subsequently, on May 14, 2008, the Company also completed the closing of the over-allotment option exercised by the underwriters in connection with the offering, with an additional 4,290,000 common shares issued for \$14.00 per share. Total shares issued and outstanding after the closing of these transactions were 237,049,213. Viterra received gross proceeds of \$460.5 million from the offering and subsequent over-allotment (net proceeds of \$441.5 million after underwriting fees and expenses of approximately \$19.0 million). The proceeds of the offering are expected to be used for general corporate purposes and to fund future acquisitions.

The market capitalization of the Company's 237 million issued and outstanding shares at January 16, 2009, was \$2.0 billion or \$8.57 per share. The issued and outstanding shares, including options convertible to common shares, at January 16, 2009 are summarized in the following table:

### Outstanding Share Data

as at January 16, 2009  
(unaudited)

Issued and outstanding Common Shares	237,049,213
Securities convertible into Common Shares:	
Stock Options	71,784
	237,120,997

## 11. RESTRUCTURING AND INTEGRATION MATTERS

As described in detail in the Company's 2007 Annual Report, on May 29, 2007, the Company acquired effective control of AU. On June 15, 2007, the Company acquired all remaining Limited Voting Common Shares under a court-approved Plan of Arrangement and AU became a wholly-owned subsidiary of the Company. On November 1, 2007, Viterra's wholly-owned subsidiaries United Grain Growers Limited, carrying on business as Agricore United, and Pacific Elevators Limited were legally amalgamated with Viterra Inc.

As noted in the table at right, integration of the two companies is essentially complete.

As of October 31, 2008, the Company had achieved a total of \$110.2 million in synergies versus management's previous estimate of \$104.0 million. Management now expects to achieve a full run rate of \$116.0 million in synergies to be realized by January 2009. These results are further described in the table on page 37.

Integration costs expensed for the current quarter were \$2.4 million (for a total of \$14.6 million in fiscal 2008 and \$34.6 million since integration began). These costs relate primarily

Restructuring & Integration Plan – Key Milestones		
Objective	Target Date	Achieved
Appoint senior executive and management team	Q4 2007	✓
Develop operating model for the Company	Q4 2007	✓
Refine synergy analysis and targets	Q4 2007	✓
Complete divestiture of assets to JRI/Cargill	Q4 2007	✓
Complete refinancing of Bridge Facility	Q4 2007	✓
Develop detailed implementation plans	Q4 2007	✓
Re-branding and launch of new name	Q5 2007	✓
Complete legal amalgamation of the Company with AU	Q5 2007	✓
Complete Agri-products system conversion	Q1 2008	✓
Harmonize advertising and marketing programs	Q1 2008	✓
Complete plan for Agri-products retail footprint and harmonize pricing and product line decisions	Q1 2008	✓
Complete accounting and finance system conversion	Q2 2008	✓
Review of pension and benefits for the combined company and recommendations thereon	Q2 2008	✓
Implement HR and payroll system conversion	Q2 2008	✓
Complete Grain system conversion	Q2 2008	✓
Develop and implement new HR policies and procedures	Q3 2008	✓
Finalize Grain end-state network	Q3 2008	✓

to severance, consulting and advisory fees and other integration costs incurred directly by the Company. Integration costs, including severance, termination fees, and debt repayment penalties incurred by or related to AU, have already been accrued on the balance sheet as part of the acquisition price of AU shares in accordance with the purchase method of accounting, with a corresponding increase in goodwill. On a pre-tax basis, estimated total net integration costs for both entities, which include share issuance costs and refinancing costs, are about \$282.4 million, of which about \$277.1 million has already been incurred (\$21.7 million in the current fiscal year), including \$19.2 million of costs accrued and outstanding. These costs were financed by free cash flow.

Segment	Management's Last Estimated Synergies	October 31, 2008 Actual Synergies	Revised Estimated Synergies
Grain Handling and Marketing	\$53.0 Million	\$59.9 Million	\$62.7 Million
Agri-products	\$22.0 Million	\$25.3 Million	\$25.9 Million
Corporate Services	\$29.0 Million	\$25.0 Million	\$27.4 Million
	\$104.0 Million	\$110.2 Million	\$116.0 Million

## 12. SASKATCHEWAN WHEAT POOL/GRAIN SERVICES UNION PENSION PLAN

As discussed in more detail in Note 16 of the Consolidated Financial Statements, the Company and the Grain Services Union ("GSU") finalized the settlement of the dispute surrounding the Saskatchewan Wheat Pool/Grain Services Union Pension Plan (the "Plan") during the current year. The Plan was originally established to provide defined benefits on the basis of contributions negotiated between the Company and the GSU. Since the cost was intended to be limited to the negotiated rates of contribution, the Company had, prior to July 1, 2008, accounted for this Plan as a defined contribution plan. Effective July 1, 2008, Viterra became at risk for the actuarial and investment risk of the Plan. Therefore, at this date, the Plan is effectively a new defined benefit plan and is required to be accounted for as such.

The details of the settlement, which was finalized on July 1, 2008, are as follows:

- Viterra was responsible for paying \$16.6 million into the Plan. This payment and all future solvency deficiency payments are segregated in a reverting trust (secondary account) within the Plan so that any amounts paid in, but not required on ultimate windup would be refunded to the Company.
- Active members stop accruing pensionable service under the Plan and move to a defined contribution plan. However, benefits that were earned in the Plan will stay with the Plan and will be paid out upon the employee's retirement in the normal course.
- Viterra accepted full responsibility for all benefits accrued under the Plan and is responsible for making all solvency deficiency payments.
- Viterra becomes sole administrator of the Plan and acquires sole discretion to wind up the Plan.

As a result of the settlement, a \$20 million provision, which was previously accrued as a potential liability to dissolve the dispute, was reversed in 2008 and the initial \$16.6 million obligation described above was expensed as a cost of resolving the dispute (see Section 8.1 Summary of Consolidated Results).

## 13. OFF BALANCE SHEET ARRANGEMENTS

### 13.1 Pension Plans

At October 31, 2008, the market value of the assets of the Company's various defined benefit plans exceeded the accrued benefit obligations (valued on an ongoing basis for accounting purposes). The Company reported a net defined pension asset of \$47.8 million at October 31, 2008 (October 31, 2007 – \$23.5 million). The Company made \$4.2 million in cash payments for its employee future benefits for the 12-month period ended October 31, 2008, consisting of cash contributed to its funded pension plans, its defined contribution plans, its multi-employer pension plan and directly to beneficiaries for other plan benefits.

The Company reported total pension benefit income of \$20.8 million for the 12 months ended October 31, 2008 (15 months ended October 31, 2007 – \$4.3 million). While there were actuarial losses on assets during 2008 due to the downturn in financial markets, pension plan accounting requires that gains and losses are effectively smoothed over future periods, beginning in the following period. The actuarial losses in 2008 will not begin to impact the Company's income directly until 2009 (see Note 16 of the Consolidated Financial Statements).

The following table compares the values of pension plan assets and liabilities for accounting purposes to the estimated values for pension funding purposes (solvency basis) at October 31, 2008:

(000's)	Accounting Basis	Solvency Funding
Market value of pension assets	\$ 529,004	\$ 529,004
Pension liabilities	\$ 477,491	\$ 605,863
Funded status – surplus (deficit)	\$ 51,513	\$ (76,859)
Unamortized accounting differences	\$ (3,757)	
Consolidated accrued benefit asset	\$ 47,756	

Based on current estimates, the Company has a \$47.8 million surplus in its plans (for accounting purposes). However, from a solvency perspective (for pension funding purposes), the plans had a combined deficit of \$76.9 million as at October 31, 2008. The Company funds its defined benefit pension plans in accordance with actuarially-determined amounts based on federal

pension regulations. Management currently estimates quarterly payments of \$5.6 million in 2009, up from quarterly payments of \$1.5 million in 2008. The estimated increase in payments is primarily the result of a reduction in the fair value of plan assets during the year, reflecting the current downturn in financial markets. Funding requirements may increase or decrease depending upon future actuarial valuations. The Company's projection is based on funding the increase in plan deficits over a five-year period and these payments may change in the future to reflect formal valuations as at December 31, 2008, which the Company expects to receive in April 2009. Note 16 of the Consolidated Financial Statements for October 31, 2008 describes in detail the Company's pension plan obligations.

### 13.2 Viterra Financial and Unifeed Financial

Viterra Financial provides grain and oilseeds producers with unsecured working capital financing, through a Canadian Schedule I chartered bank, to purchase the Company's fertilizer, crop protection products, seed and equipment. Outstanding credit was \$487.7 million at October 31, 2008, compared to \$319.5 million at October 31, 2007. Approximately 96% of the current outstanding credit relates to Viterra Financial's highest credit rating categories. The Company indemnifies the bank for 50% of future losses under Viterra Financial to a maximum limit of 5% of the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the size of the underlying portfolio. As at October 31, 2008, Viterra has provided \$5.6 million for actual and future expected losses.

Unifeed Financial provides livestock producers with secured working capital financing through a Canadian Schedule I chartered bank to purchase feeder cattle, feeder hogs and related feed inputs under terms that do not require payment until the livestock are sold. The customer base for Unifeed Financial tends to be smaller with individually larger average credit balances than Viterra Financial. Unifeed Financial approved \$93.4 million (October 31, 2007 – \$97.1 million) in credit applications of which customers had drawn \$31.9 million at October 31, 2008 (October 31, 2007 – \$35.5 million). The Company has indemnified the bank for aggregate credit losses of up to \$6.5 million based on the first 20% to 33% of new credit issued on an individual account as well as for credit losses, shared on an equal basis, of up to 5% of the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the credit rating of underlying accounts and the aggregate credit outstanding. As at October 31, 2008, the Company had provided about \$0.5 million for actual and expected future losses.

### 13.3 Other

Under the terms of an agreement, FCC provided credit to certain of the Company's farming customers in the Agri-products segment. This agreement was terminated on January 31, 2008, on payment of a termination fee and the acquired amounts were sold to a

Canadian Schedule I chartered bank. Please refer to Note 25(c) in the Notes to the Consolidated Financial Statements.

For a further description of other commitments, contingencies and guarantees of the Company, please refer to Note 25 of the Consolidated Financial Statements.

## 14. RELATED PARTY TRANSACTIONS

The Company has transactions with related parties in the normal course of business at commercial rates and terms. Related parties may include investees Prince Rupert Grain and the Puratone Corporation.

Total sales to related parties were \$16.6 million (2007 – \$7.8 million). As at October 31, 2008, accounts receivable from related parties totalled \$11.9 million (2007 – \$11.6 million).

## 15. CRITICAL ACCOUNTING ESTIMATES

In preparing the Company's Consolidated Financial Statements, management is required to make estimates, assumptions and judgments as to the outcome of future events that might affect reported assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Such assessments are made using the best information available to management at the time. Although management reviews its estimates on an ongoing basis, actual results may differ from these estimates as confirming events occur. The following is an analysis of the critical accounting estimates that depend most heavily on such management estimates, assumptions and judgments, any changes which may have a material impact on the Company's financial condition or results of operations. For more information about certain assumptions and risks that might affect these estimates, assumptions and judgments, refer to Section 21, Forward-Looking Information on page 45.

### 15.1 Valuation of Long-Lived Assets and Asset Impairment

Goodwill is not amortized but is assessed for impairment at the business unit level at least annually or whenever events or changes in circumstances suggest that the carrying amount may not be recoverable. Potential goodwill impairment is identified by comparing the fair value of a business unit, estimated using discounted cash flows, to its carrying value. Should the carrying value exceed the assessed fair value of the business unit, the goodwill impairment would result in a reduction in the carrying value of goodwill on the balance sheet and the recognition of a non-cash impairment charge in the Consolidated Statement of Earnings. While the Company believes that all of its estimates are reasonable, there exists inherent uncertainties that management may not be able to control. As a result, the Company is unable to reasonably quantify the changes in its overall financial performance

if it had used different assumptions, and it cannot predict whether an event that triggers impairment will occur, when it will occur or how it will affect the asset values reported.

The Company periodically assesses the recoverability of values assigned to long-lived assets after considering potential impairment, indicated by such factors as business and market trends, future prospects, current market value and other economic factors. In performing its review of recoverability, management estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying value of the asset, an impairment loss would be recognized based on the excess of the carrying value of the asset over the fair market value calculated using discounted future cash flows.

## 15.2 Future Income Taxes

Future income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. Future income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and future income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment concerning the carrying values of assets and liabilities. The current and future income tax assets and liabilities are also impacted by expectations about future operating results and the timing of reversal of temporary differences as well as possible audits of tax filings by regulatory agencies. Changes or differences in these estimates or assumptions may result in changes to the current and future income tax assets and liabilities on the Consolidated Balance Sheets and a charge to, or recovery of, income tax expense.

As at October 31, 2008, the Company had loss carry forwards of approximately \$111.3 million (2007 – \$285.2 million) available to reduce income taxes otherwise payable in future years, expiring between October 2009 and 2027.

A short-term future income tax asset of \$26.4 million has been recorded as at October 31, 2008 in respect of the Company's unutilized losses. Management regularly assesses the Company's ability to realize net future income tax assets based on all relevant information available and has concluded that it is more likely than not that these loss carry forwards can be fully utilized prior to expiry. In making its assessment, the Company considered, among other things, historical and projected future earnings. Accordingly, the Company has not recorded a valuation allowance related to these assets. If the Company's projected future earnings do not materialize to the extent required to permit the full realization of these loss carry forwards, the Company would record an appropriate valuation allowance in the period when such a

determination is made. This would result in a decrease to reported earnings and an increase to the Company's effective tax rate in that period.

Additional loss carry forwards, associated with inactive subsidiaries that the Company has less than a 100% ownership interest, amounted to \$25.0 million at the end of October 31, 2008. Management has determined that the utilization of these losses is more uncertain and, accordingly, a full valuation allowance has been provided against these losses.

## 15.3 Pension and Other Post-Employment Benefits

Certain estimates and assumptions are used in determining the Company's defined benefit pension and other post-employment benefit obligations, including the discount rate, the expected long-term rate of return on plan assets and expected growth rate of health care costs. These assumptions depend on various underlying factors such as economic conditions, investment performance, employee demographics and mortality rates. These assumptions may change in the future and may result in material changes in the pension and employee benefit plans expense recorded in OG&A. Changes in financial market returns and interest rates could also result in changes to the funding requirements of the Company's defined benefit pension plans. A substantial number of the Company's employees are members of its defined contribution plans. The Company's remaining defined benefit plans cover a closed group of members and all retirees prior to the Company's conversion to defined contribution plans.

For 2008, the discount rate used for calculation of pension benefit plans was 7.25% (2007 – 5.7%) and for other future benefits was 7.25% (2007 – 5.7%). The expected long-term rate of return on plan assets for pension benefit plans for 2008 was 6.5% (2007 – 6.4%). A one percentage-point decrease in the assumed return on plan assets would increase the pension income by \$4.4 million. A one percentage-point decrease in the assumed discount rate would decrease pension income by \$2.6 million and increase the accrued benefit obligation by \$43.1 million, and decrease the other future benefit expense by a negligible amount and the accrued other future benefit obligation by \$0.8 million. A one percentage-point increase in the assumed trend in health care cost would not materially increase interest costs, but would increase the accrued benefit obligation by \$0.2 million. The sensitivity of each assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce the impact on the accrued benefit obligations or benefit plan expenses.

## 15.4 Environmental Matters

On November 1, 2008, Westco was amalgamated with Viterra. The Company's other long-term liabilities include the asset retirement obligation ("ARO") associated with Westco's fertilizer manufacturing and processing plants, which discontinued operations in 1987. Westco provided for site restoration and reclamation costs related to former production facilities in Calgary

and Medicine Hat, Alberta and associated phosphogypsum stacks and certain closed landfills. The period to complete the reclamation project is estimated to be about seven years from the current date and management believes that the ARO is adequate. The ARO was \$22.1 million at October 31, 2008 (2007 – \$21.5 million). The net increase from the prior year reflects a \$9.9 million asset retirement obligation charge as a result of revisions to management's estimate due to increasing costs, net of cash settlements made during the year.

### 15.5 Other Provisions and Allowances

Under the terms of an agreement, FCC provided credit to farm customers of Viterra for the purchase of crop inputs. As previously noted, this program was terminated on January 31, 2008, on payment of a termination fee and the acquired amounts were sold to a Canadian Schedule I chartered bank.

### 15.6 Purchase Price Allocation and Goodwill

The determination and allocation of the purchase price paid for AU in 2007 was based on management's best estimates and accounted for all of the relevant information at the time that the Consolidated Financial Statements were prepared. This process involved making estimates and assumptions in determining the fair value of the assets acquired and the liabilities assumed.

A number of significant estimates and assumptions were used in determining the fair value of certain assets and liabilities acquired upon the purchase of AU in 2007. In determining the fair value of property, plant and equipment, goodwill and intangibles, the Company used the work of third-party valuation experts. The fair value of the liabilities and obligations assumed on the purchase were based on estimated market values. Liabilities relating to the restructuring and integration of AU's operations included estimated severance and employee-related costs, professional fees, change in control expenses related to the repayment of AU debt, a break fee paid to JRI and other related costs.

Management believes that the estimates used for the purchase allocation are reasonable; however, actual results could differ as confirming events occur which could require future adjustments to goodwill and related accruals.

## 16. CHANGES IN ACCOUNTING POLICY

### 16.1 Financial Instruments

As described in Note 2 of the Consolidated Financial Statements, effective November 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections: Section 3855, "Financial Instruments – Recognition and Measurement", Section 3865 – "Hedges", Section 3251, "Equity", Section 1530, "Comprehensive Income", Section 3862, "Financial

Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation".

The new standards provide guidance on the recognition, measurement and classification of financial assets and financial liabilities. All financial instruments, including derivatives, are included on a company's balance sheet and measured either at their fair values or, in circumstances when fair value may not be considered most relevant, at amortized cost or cost. The standards establish a new measure of income called comprehensive income. Comprehensive income represents the change in the net assets of an entity from non-owner sources for a period and has two components – net income and other comprehensive income. The new section provides guidance for reporting items in other comprehensive income, which is included on the Consolidated Balance Sheets as a separate component of shareholders' equity.

The new standards also establish the accounting requirements for hedges. The accounting for a specific hedging relationship depends on its nature. Fair value hedging applies when the change in the fair value of an existing asset or liability attributable to a particular risk is being hedged. The change in the fair value of both the hedging item and hedged item attributable to the hedged risk is recognized in net income and adjusts the carrying amount of the instruments. Cash flow hedging applies when the variability in cash flows attributable to a particular risk is hedged. The effective portion of the changes in fair value of the derivative is recorded in other comprehensive income until the hedged item affects net income. Any ineffectiveness of designated hedges is recognized immediately in income.

Additional information regarding these changes can be found in Note 2(p) (i) of the Consolidated Financial Statements.

#### 16.1.1 Non-hedgeable Grain Inventories and Related Commodity Contracts

The Company has historically classified its grain inventories and related derivative contracts into two categories. Hedgeable grain inventories are those for which the market risk associated with inventory positions is managed through exchange-traded futures instruments. Non-hedgeable grain inventories include inventories for which there are no exchange-traded instruments but where cash-traded instruments are commonly used to manage market risk. The Company manages the market risk associated with inventory and open contracts on a combined basis.

Prior to 2008, non-hedgeable grain inventories and related commodity contracts were valued on a combined basis at the lower of cost and net realizable value. During the first quarter of 2008, the Company adopted the policy of valuing its non-hedgeable grain inventories on the basis of market quotations less freight and handling costs. Gains and losses on related open grain purchase and sales contracts are based on estimated fair value. This new policy, in addition to providing consistency with its existing accounting policy for hedgeable inventories and commodities, is consistent with the fair value measurement

requirements adopted on November 1, 2007, for financial instruments and other derivative contracts of the Company. The impact of this change in accounting policy has been recorded retrospectively with restatement of the prior period.

Additional information regarding these changes can be found in Note 2(p) (ii) of the Consolidated Financial Statements.

## 16.2 Other Accounting Standards

The Company also adopted the CICA Handbook Sections 1506, "Accounting Changes" and 1535, "Capital Disclosures" effective November 1, 2007. These sections resulted in additional financial statement note disclosure.

## 17. FUTURE ACCOUNTING STANDARDS

### 17.1 Inventories

In June 2007, the CICA issued Section 3031, "Inventories", replacing Section 3030, "Inventories". The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008, and provides more guidance on the measurement and disclosure requirements for inventories. Accordingly, the Company will adopt the new standards for its fiscal year beginning November 1, 2008. The adoption is not expected to have a material impact on the Company's Consolidated Financial Statements.

### 17.2 Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new standards will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning November 1, 2008. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption is not expected to have a material impact on the Company's Consolidated Financial Statements.

### 17.3 International Financial Reporting Standards

In February 2008, the Accounting Standards Board ("AcSB") announced that 2011 is the changeover date for publicly listed companies to replace Canadian GAAP with International Financial Reporting Standards ("IFRS"). The date relates to interim and

annual financial statements for fiscal years beginning on or after January 1, 2011, which will be applicable for Viterra's first quarter of fiscal 2012. The Company will also be required to provide IFRS comparative information for the previous fiscal period. The Company has committed the appropriate resources and training to ensure the Company is compliant by the required transition date. Part of the work that will be completed will include an assessment of the impact to accounting, financial reporting, IT systems as well as certain contractual arrangements. Additional details will be provided in future Company reports.

## 18. RISKS AND RISK MANAGEMENT

Viterra faces certain risks, including weather, strategic, market, financial restriction, credit and foreign exchange risk, which can impact its financial performance. For additional information on other general business and environmental risks, readers should review the 2008 Annual Information Form.

### 18.1 Governance and Oversight

Viterra's Risk Management Committee (the "Committee") is a senior management committee responsible for assessing enterprise risks and implementing strategies to reduce the Company's exposure. The Committee meets regularly to assess risks and direct risk mitigation activities. Regular reports are provided to the Audit Committee of the Board of Directors.

### 18.2 Weather Risk

As an agri-business company, Viterra's most significant risk is the weather. The effects of weather conditions on crop quality and production volumes present significant operating and financial risk to Viterra's Grain Handling and Marketing segment. Volumes are a key driver of earnings for Viterra's grain operations. Fixed costs in Viterra's primary elevator system represent approximately 75% to 80% of total costs and, as a result, reduced volume and inventory turns negatively impact the margin/earnings per tonne achievable.

Crop quality is also an important factor because the majority of the higher quality grains and oilseeds move into export position; accordingly, Viterra generates margins at each stage of its value chain through to its port terminals.

Grains destined for domestic markets on average generate lower margins, particularly feed grains, which require little processing and handling. Therefore, the mix of grains and oilseeds that Viterra manages in any given year is an important factor affecting margins and earnings. Viterra offers a number of programs to its primary customers, including drying and blending opportunities in an attempt to mitigate some of the quality risk.

The level and mix of agri-products sales are also dependent on weather. Weather and moisture levels are a determining factor in crop selection by producers at seeding time, the variety of seed

sown, and the amount of proprietary seed purchased. Crop selection decisions also impact the amount of fertilizer and crop protection products Viterra sells since certain crops require significantly more inputs than others. During the growing season, weather determines the type and amount of agri-products applied to the land. Viterra's Agri-products group works closely with its Grain Handling and Marketing group to anticipate producers' intentions for seeding in order to manage agri-products inventories appropriately.

Viterra's elevators and agri-product distribution facilities are geographically dispersed throughout the Prairie provinces, diversifying the Company's exposure to localized growing conditions. Viterra has historically had grain volume insurance to protect the cash flow of the organization from significant declines in grain volumes, resulting from drought or other weather-related events. For 2009, the Company has partial coverage under a multi-year program arranged in 2008 and plans to place additional coverage. The partial coverage represents 20% of the \$60.0 million of coverage in place for 2008.

### 18.3 Market Risk

A significant portion of Viterra's sales are derived from its Grain Handling and Marketing segment. Earnings for this segment fluctuate based on the volume of grain handled and the margins earned on the purchase and sale of open market grains. In the case of Board grains, Viterra earns CWB storage and handling tariffs; these are established independently of the market price for grain.

CWB grains accounted for about 51% of total grain handled by Viterra in 2008 (2007 – 59%). For these grains, the Company's risks are reduced in part through the terms of formal legal arrangements between Viterra and the CWB. The arrangements provide for full reimbursement of the price paid to producers for grain as well as certain costs incurred by Viterra. Adverse impacts can be experienced by Viterra whereby handling of Board grain results in a loss of grade or, in the case of the CWB's tendering program, Viterra fails to meet the requirements under the tendering contract. Viterra employs grain grading, handling procedures and quality testing across its value chain to help mitigate these risks.

For non-Board or open market grains and oilseeds purchased by Viterra, the Company is exposed to the risk of movement in price between the time the grain is purchased and when it is sold. Financial risk management activities commonly referred to as "hedging", where such opportunities exist, can reduce this risk. Hedging is the placing in the futures market of a position opposite to one held in the cash market in order to reduce the risk of financial loss from an adverse price change. In so doing, the Company assumes basis risk to the extent the futures market and the cash market do not change by directly equivalent amounts. Where exchange traded futures for a particular commodity are not available or where the liquidity of a particular exchange traded

future is volatile, Viterra develops cross-hedges, using futures contracts for similar or related products.

Viterra employs a Commodity Risk Management Policy, in which position limits are used to limit the Company's exposure to changes in commodity prices. Position limits set out the amount of market exposure the Company is willing to tolerate by commodity. The Policy defines these tolerance levels based on the size of the original position, liquidity in the futures market and a number of other factors. The Board's Audit Committee sets various authorization limits.

The Company also utilizes forward sales contracts to hedge prices for the sale of grain, forages and special crops, forward purchase contracts to fix the costs of supply of livestock feed inputs and prepaid purchases of agri-products inputs with future delivery dates. The costs associated with these instruments are included in the cost of sales for the affected business segment.

### 18.4 Credit Risk

Viterra is exposed to credit risk in connection with credit provided to its customers, including credit provided on agri-products purchases through a third party. Credit defaults by Viterra's customers could have a material adverse effect on Viterra's financial results and financial condition. Viterra shares responsibility for defaulted accounts and loan losses with a Canadian Schedule I chartered bank through Viterra Financial and Unifeed Financial. Viterra's average credit losses since combining its new credit programs in February 2008 were less than 0.2% of sales.

For credit provided through Viterra Financial and Unifeed Financial, the Company has limited its exposure to credit risk by limiting the financial institution's recourse against the Company for indemnification of losses incurred on certain credit sales. Additionally, exposure to credit risk is managed through a rigorous analysis of outstanding positions, payment and loss history and ongoing credit reviews of all significant contracts.

Viterra pursues a payment and country risk reduction strategy for offshore customers by using export financing arrangements, strategic business alliances and country risk reporting. Export financing payment arrangements include cash prior to unloading, cash against documents and obtaining confirmed letters of credit. Activity is continually monitored to ensure Viterra's exposure is within acceptable limits.

Viterra uses derivative financial instruments, where available, to manage market risks resulting from fluctuations in underlying interest rates, foreign exchange rates and commodity prices by creating essentially equal and offsetting market exposures. As such, the Company can be exposed to credit risk in the event of non-performance of its counterparties on its derivative contracts. However, in the case of over-the-counter derivative contracts, the Company only contracts with pre-authorized counterparties where agreements are in place and the Company monitors the credit ratings of its counterparties on an ongoing basis. Exchange traded

futures contracts used to hedge future revenues in the Company's grain business are not subject to any significant credit risk as the changes in contract positions are settled daily through a recognized exchange.

### 18.5 Foreign Exchange Risk

Significant portions of the Company's net revenues are denominated in U.S. dollars and Viterra hedges substantially all foreign currency transactions through futures currency contracts or forward exchange contracts, and through the use of natural hedges created by offsetting transactions. However, to the extent that the Company has not fully hedged its foreign exchange risks, an appreciation of the Canadian dollar against the U.S. dollar or other relevant currencies could have a material adverse effect on Viterra's financial results.

### 18.6 Other Risks

The Government of Canada has indicated its intention to remove the monopoly powers of the CWB and implement a voluntary marketing structure. Some actions have been taken to move this policy forward; however, in 2007, the Federal Court overturned the federal government's regulations to introduce dual marketing on western barley sales. In light of its current minority position, the Conservative government is unlikely to pass legislation to change the mandate of the CWB, as all three opposition parties support the monopoly. Changes from within the CWB are also unlikely given the results of director elections in December 2008, which did not change the balance of power on the CWB Board of Directors. At least eight of the 15 directors favour retention of the monopoly. While the Company believes it is well positioned to achieve the same or superior operating effectiveness in a new regulatory environment, there is still uncertainty associated with these possible changes.

To address consumer awareness and concern over food safety and "traceability", Viterra has established a number of processes to track and identify crops at every stage of production: from seed to customer delivery to meet international standards, including HACCP – the internationally recognized system of quality control for food safety – and ISO 9000 certification for the processing and export of grains, oilseeds and special crops. ISO 9001:2000 registration and HACCP compliance are verified by third-party audits. As at October 31, 2008, all of the Company's port terminals, except PRG, met the ISO 9001:2000 Quality Management Standard and ISO 22000:2005 (HACCP) Food Safety Standard. All of the Company's Thunder Bay Terminals (A, B and C) are also GMP+B2 (Good Manufacturing Practices) certified.

The Company's country elevator network includes 83 grain facilities, two joint venture HTEs, one organic facility and 12 special crop facilities, which are registered ISO 9001:2000 and are HACCP compliant. In addition, the Quality Control department in the Company's offices in Regina is ISO 9001:2000 registered. The Company's six Canadian feed mills and two pre-mix facilities

comply with all federal regulations and are HACCP certified or compliant. In addition, Canadian operations are inspected by the Canadian Food Inspection Agency ("CFIA") and U.S. feed mills are inspected by state and federal agencies in the United States. To deal with concerns such as bovine spongiform encephalopathy ("BSE"), the CFIA has implemented a feed ban that prohibits the use of cattle protein in the production of cattle feed. A further ban was extended to all animal feed, pet feed and fertilizer in 2007, which is expected to reduce the likelihood of spreading BSE through contaminated feed. In the U.S., feed safety concerns around BSE are limited as Hi-Pro does not use cattle protein or any other animal byproducts in the production of animal feed.

A detailed commentary on risk factors relating to the Company and its business is set forth in the Company's current Annual Information Form. See Section 22 Additional Information.

## 19. NON-GAAP MEASURES

EBITDA (earnings before interest, taxes, amortization, gain (loss) on disposal of assets, integration expenses and recovery of (provision for) pension settlement) and EBIT (earnings before interest, taxes, gain (loss) on disposal of assets, integration expenses and recovery of (provision for) pension settlement) are non-GAAP measures. Those items excluded in the determination of EBITDA and EBIT represent items that are non-cash in nature, income taxes, financing charges or are otherwise not considered to be in the ordinary course of business. These measures are intended to provide further insight with respect to Viterra's financial results and to supplement its information on earnings (losses) as determined in accordance with GAAP.

EBITDA is used by management to assess the cash generated by operations and EBIT is a measure of earnings from operations prior to financing costs and taxes. Both measures also provide important management information concerning business segment performance since the Company does not allocate financing charges, income taxes or other excluded items to these individual segments.

Funded debt, net of cash and cash equivalents, is provided to assist investors and is used by management in assessing the Company's liquidity position and to monitor how much debt the Company has after taking into account its liquid assets, such as cash and cash equivalents. Such measures should not be used in isolation of, or as a substitute for, current liabilities, short-term debt, or long-term debt as a measure of the Company's indebtedness.

Cash flow provided by operations is the cash from (or used in) operating activities, excluding non-cash working capital changes. Viterra uses cash flow provided by operations and cash flow provided by operations per share as a financial measure for the evaluation of liquidity. Management believes that excluding the seasonal swings of non-cash working capital assists management's evaluation of long-term liquidity.

Free cash flow is cash flow provided by operations (prior to any changes in non-cash working capital) net of capital expenditures, excluding business acquisitions. Free cash flow is used by management to assess liquidity and financial strength. This measurement is also useful as an indicator of the Company's ability to service its debt, meet other payment obligations and make strategic investments. Readers should be aware that free cash flow does not represent residual cash flow available for discretionary expenditures.

These non-GAAP measures should not be considered in isolation from, or as a substitute for, GAAP measures such as (i) net earnings (loss), as an indicator of the Company's profitability and operating performance or (ii) cash flow from or used in operations, as a measure of the Company's ability to generate cash. Such measures do not have any standardized meanings prescribed by Canadian GAAP and are, therefore, unlikely to be comparable to similar measures presented by other corporations.

Reconciliations of each of these terms are provided in the table below.

### Non-GAAP Terms, Reconciliations and Calculations

(in thousands – except percentages and ratios)

(for the twelve months ended October 31)	2008	2007 <sup>1,2</sup>	Better (Worse)
Gross profit and net revenues from services	\$ 1,026,831	\$ 594,194	\$ 432,637
Operating, general and administrative expenses	(494,227)	(328,372)	(165,855)
<b>EBITDA</b>	<b>\$ 532,604</b>	<b>\$ 265,822</b>	<b>\$ 266,782</b>
Amortization	(106,832)	(62,940)	(43,892)
<b>EBIT</b>	<b>\$ 425,772</b>	<b>\$ 202,882</b>	<b>\$ 222,890</b>
Net earnings	\$ 288,282	\$ 116,495	\$ 171,787
Amortization	106,832	62,940	43,892
Non-cash financing expenses	4,470	2,305	2,165
Provisions for (recovery of) pension settlement	(3,356)	5,000	(8,356)
Employee future benefits	(19,918)	(3,162)	(16,756)
Equity loss (earnings) of significantly influenced companies	10,963	1,833	9,130
Future income tax provision	70,280	60,058	10,222
Loss (gain) on disposal of assets	(1,263)	(35,234)	33,971
Other items	(24)	1,485	(1,509)
<b>Cash flow prior to working capital changes</b>	<b>\$ 456,266</b>	<b>\$ 211,720</b>	<b>\$ 244,546</b>
Property, plant and equipment expenditures	(55,583)	(114,884)	59,301
<b>Free Cash Flow</b>	<b>\$ 400,683</b>	<b>\$ 96,836</b>	<b>\$ 303,847</b>
<i>As at October 31</i>			
Current assets	\$ 2,431,823	\$ 1,451,771	\$ 980,052
Current liabilities	961,723	1,084,709	122,986
<b>Current Ratio (Current Assets/Current Liabilities)</b>	<b>2.53</b>	<b>1.34</b>	<b>1.19 pt</b>
Short-term borrowings (Note 11)	\$ 17,769	\$ 352,527	\$ 334,758
[A] Long-term debt due within one year (Note 12)	14,703	3,736	(10,967)
[A] Long-term debt (Note 12)	595,385	307,413	(287,972)
[B] Total debt	\$ 627,857	\$ 663,676	\$ 35,819
Cash and short-term investments	\$ 669,665	68,651	601,014
Bank indebtedness	(655)	(4,501)	3,846
[C] Cash and cash equivalents	\$ 669,010	\$ 64,150	\$ 604,860
<b>Funded Debt, Net of Cash and Cash Equivalents</b>	<b>\$ (41,153)</b>	<b>\$ 599,526</b>	<b>\$ 640,679</b>
[D] Total equity	\$ 2,200,725	\$ 1,474,621	\$ 726,104
[E] Total capital [B + D]	\$ 2,828,582	\$ 2,138,297	
<b>Total Debt-to-Capital [B]/[E]</b>	<b>22.2%</b>	<b>31.0%</b>	<b>8.8 pt</b>
<b>Long-Term Debt-to-Capital [A]/[E]</b>	<b>21.6%</b>	<b>14.6%</b>	<b>(7.0 pt)</b>

<sup>1</sup> See Note 1 under the table of Selected Consolidated Financial Information in Section 8.1

<sup>2</sup> As restated, see Note 2(p) of Consolidated Financial Statements

## 20. EVALUATION OF DISCLOSURE AND PROCEDURES

Management, including the President and Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of Viterra's disclosure controls and procedures (as defined in National Instrument 52-109 of the Canadian Securities Administrators) as of October 31, 2008. Management has concluded that, as of October 31, 2008, Viterra's disclosure controls and procedures were effective to provide reasonable assurance that material information relating to Viterra and its consolidated subsidiaries and joint ventures would be made known to them by others within those entities, particularly during the period in which this report was being prepared.

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in the Company's internal control over financial reporting that occurred during the year that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## 21. FORWARD-LOOKING INFORMATION

Certain statements in this Management's Discussion and Analysis are forward-looking statements and reflect Viterra's expectations regarding future results of operations, financial condition and achievements. All statements that address activities, events or developments that Viterra or its management expects or anticipates will or may occur in the future, including such things as growth of its business and operations, competitive strengths, strategic initiatives, planned capital expenditures, plans and references to future operations and results, critical accounting estimates and expectations regarding future capital resources and liquidity of the Company and such matters, are forward-looking statements. In addition, the words "believes", "intends", "anticipates", "expects", "estimates", "plans", "likely", "will", "may", "could", "should", "would", "outlook", "forecast", "objective", "continue" (or the negative thereof) and words of similar import may indicate forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and achievements of Viterra 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, those factors discussed under the heading "Risk Factors" in Viterra's 2008 Annual Information Form and in the Company's 2008 Management's Discussion and Analysis under the heading "Risks and Risk Management" in the Management's Discussion and Analysis;

integration risk associated with the merger of Saskatchewan Wheat Pool and Agricore United; adverse weather conditions; political and economic risks; changes in domestic regulation; commodity price and market risks; employee relations and collective bargaining; integration risk; foreign exchange risk; availability of credit and credit costs; dependence on key personnel; environmental, health and safety risks; property and liability risks; food and agricultural products risks; diseases and other livestock industry risks; credit risk; and reliance on computerized business systems. The uncertainties and other factors include, but are not limited to, crop production and crop quality in Western Canada; world agricultural commodity prices and markets; producers' decisions regarding total seeded acreage, crop selection, and utilization levels of farm inputs such as fertilizer and pesticides, changes in the grain handling and agri-products competitive environments, including pricing pressures; Canadian grain export levels; changes in government policy and transportation deregulation; international trade matters; global political and economic conditions, including grain subsidy actions and tariffs of the United States and the European Union; current global financial crises and changes in credit markets and competitive developments in connection with Viterra's grain handling, agri-products, agri-food processing, financial products and livestock and feed businesses. Many of these risks, uncertainties and other factors are beyond the control of the Company. All of the forward-looking statements made in this Management's Discussion and Analysis and the documents incorporated herein by reference are qualified by these cautionary statements and the other cautionary statements and factors contained herein or in documents incorporated by reference herein, and there can be no assurance that the actual developments or results anticipated by the Company and its management will be realized or, even if substantially realized, that they will have the expected consequences for, or effects on, the Company.

Although Viterra believes the assumptions inherent in forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this Management's Discussion and Analysis. In addition to other assumptions identified in this Management's Discussion and Analysis, assumptions have been made regarding, among other things:

- western Canadian crop production and quality in 2008 and subsequent crop years;
- the volume and quality of grain held on farm by producer customers;
- movement and sales of Board grains by the Canadian Wheat Board;
- demand for and supply of open-market grains;
- the ability to maintain existing customer contracts and relationships;
- agricultural commodity prices;

- general financial conditions for western Canadian agricultural producers;
- demand for seed grain, fertilizer, chemicals and other agri-products;
- market share of grain deliveries and agri-product sales that will be achieved by Viterra;
- extent of customer defaults in connection with credit provided by Viterra, its subsidiaries or a Canadian chartered bank in connection with agri-product purchases;
- ability of the railways to ship grain to port facilities for export without labour or other service disruptions;
- demand for oat and malt barley products and the market share of sales of these products that will be achieved by Viterra's subsidiaries;
- the availability of feed ingredients for livestock and poultry;
- cyclicalities of hog prices;
- the impact of competition;
- environmental and reclamation costs;
- the ability to obtain and maintain existing financing on acceptable terms; and
- currency, exchange and interest rates.

The preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to Viterra and undue reliance should not be placed on Viterra's forward-looking information.

Viterra disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as otherwise required by applicable law.

## 22. ADDITIONAL INFORMATION

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Additional information about Viterra, including its most recent Annual Information Form, can be found on the Company's website at [www.viterra.ca](http://www.viterra.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com).