



## CONSOLIDATED BALANCE SHEETS

(in thousands)

AS AT	January 31, 2009 (unaudited)	January 31, 2008 (unaudited)	October 31, 2008 (audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 31,907	\$ 10,180	\$ 183,536
Cash in trust	-	40,116	-
Short-term investments	670,162	26,337	486,129
Accounts receivable	645,490	693,570	773,830
Inventories (Note 5)	874,267	922,120	837,943
Prepaid expenses and deposits	119,167	87,238	91,183
Future income taxes	69,694	49,299	59,202
	2,410,687	1,828,860	2,431,823
<b>Investments</b>	7,926	18,250	7,645
<b>Property, Plant and Equipment</b>	1,152,195	1,176,456	1,154,859
<b>Other Long-Term Assets</b>	61,572	56,786	69,238
<b>Intangible Assets</b>	21,242	19,659	22,133
<b>Goodwill</b>	300,380	296,743	300,121
<b>Future Income Taxes</b>	4,439	-	2,673
	\$ 3,958,441	\$ 3,396,754	\$ 3,988,492
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Bank indebtedness	\$ 11,815	\$ 362	\$ 655
Short-term borrowings	19,285	630,961	17,769
Accounts payable and accrued liabilities	820,415	799,504	928,596
Long-term debt due within one year	18,582	2,448	14,703
	870,097	1,433,275	961,723
<b>Long-Term Debt</b>	689,259	301,539	595,385
<b>Other Long-Term Liabilities</b>	76,283	53,719	64,183
<b>Future Income Taxes</b>	163,245	87,390	166,476
	1,798,884	1,875,923	1,787,767
<b>Shareholders' Equity</b>			
Retained earnings	292,961	91,743	325,911
Accumulated other comprehensive income (loss)	(18,297)	5,905	(9,766)
	274,664	97,648	316,145
Share capital (Note 6)	1,883,336	1,422,860	1,883,336
Contributed surplus	1,557	323	1,244
	2,159,557	1,520,831	2,200,725
	\$ 3,958,441	\$ 3,396,754	\$ 3,988,492

Commitments, contingencies and guarantees (Note 10)



**CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)**  
(in thousands)

<b>FOR THE PERIOD ENDED</b>	<b>Three Months Ended January 31, 2009</b> (unaudited)	<b>Three Months Ended January 31, 2008</b> (unaudited)
Sales and other operating revenues	\$ 1,381,741	\$ 1,317,142
Cost of sales	(1,257,613)	(1,131,914)
Gross profit and net revenues from services	124,128	185,228
Operating, general and administrative expenses	(130,533)	(103,958)
	(6,405)	81,270
Amortization	(26,178)	(25,522)
	(32,583)	55,748
Gain (loss) on disposal of assets	(245)	2,109
Integration expenses	(1,676)	(6,619)
Financing expenses (Note 8)	(9,250)	(13,343)
	(43,754)	37,895
Recovery of (provision for) corporate taxes		
Current	(129)	(5,740)
Future	10,933	9,062
<b>Net earnings (loss)</b>	<b>\$ (32,950)</b>	<b>\$ 41,217</b>
Basic and diluted earnings (loss) per share (Note 3)	\$ (0.14)	\$ 0.20



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)**  
(in thousands)

<b>FOR THE PERIOD ENDED</b>	<b>Three Months Ended January 31, 2009</b>	<b>Three Months Ended January 31, 2008</b>
	(unaudited)	(unaudited)
Net earnings (loss)	\$ (32,950)	\$ 41,217
Other comprehensive income (loss)		
Realized gain on dedesignated hedged contracts included in net earnings, net of tax of \$237 (2008 - \$ 382)	(608)	(812)
Unrealized loss on cash flow hedges, net of tax of \$ 5,344 (2008 - \$ nil)	(10,487)	-
Realized loss on cash flow hedges, net of tax of \$ (1,093) (2008 - \$ nil)	2,630	-
Unrealized gain (loss) on available for sale assets, net of tax of \$ (2) (2008 - \$ 7)	8	(32)
Unrealized effect of foreign currency translation of foreign operations	(74)	(439)
Other comprehensive income (loss)	(8,531)	(1,283)
<b>Comprehensive income (loss)</b>	<b>\$ (41,481)</b>	<b>\$ 39,934</b>

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in thousands)

(unaudited)	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Retained Earnings (Deficit)</b>	<b>Total Shareholders' Equity</b>
	(Note 6)				
As at October 31, 2007 as restated	\$ 1,422,843	\$ 323	\$ 1,029	\$ 50,426	\$ 1,474,621
Accounting policy change					
Unrealized gain on dedesignated hedged contracts, net of tax of \$ (2,798)	-	-	5,946	-	5,946
Unrealized gain on available for sale assets, net of tax of \$ (41)	-	-	213	-	213
Livestock receivables, net of tax of \$ 36	-	-	-	(76)	(76)
Debt acquisition costs using effective interest method, net of tax of \$ (60)	-	-	-	126	126
Share capital issued	17	-	-	-	17
Other comprehensive loss					
Realized gain on dedesignated hedged contracts, net of tax of \$ 382	-	-	(812)	-	(812)
Unrealized loss on available for sale assets, net of tax of \$ 7	-	-	(32)	-	(32)
Unrealized effect of foreign currency translation of foreign operations	-	-	(439)	-	(439)
Future income taxes adjustment	-	-	-	50	50
Net earnings for the period	-	-	-	41,217	41,217
As at January 31, 2008	\$ 1,422,860	\$ 323	\$ 5,905	\$ 91,743	\$ 1,520,831
Share capital issued	460,476	-	-	-	460,476
Stock-based compensation	-	921	-	-	921
Other comprehensive income (loss)					
Realized gain on dedesignated hedged contracts, net of tax of \$ 1,293	-	-	(2,245)	-	(2,245)
Unrealized loss on cash flow hedges net of tax of \$ 5,110	-	-	(12,397)	-	(12,397)
Realized loss on cash flow hedges, net of tax of \$ (202)	-	-	391	-	391
Unrealized loss on available for sale assets, net of tax of \$ 18	-	-	(139)	-	(139)
Unrealized effect of foreign currency translation of foreign operations	-	-	(1,281)	-	(1,281)
Future income taxes adjustment	-	-	-	1	1
Future income taxes share issuance costs	-	-	-	6,070	6,070
Share issuance costs	-	-	-	(18,968)	(18,968)
Net earnings for the period	-	-	-	247,065	247,065
As at October 31, 2008	\$ 1,883,336	\$ 1,244	\$ (9,766)	\$ 325,911	\$ 2,200,725
Stock-based compensation	-	313	-	-	313
Other comprehensive income (loss)					
Realized gain on dedesignated hedged contracts, net of tax of \$ 237	-	-	(608)	-	(608)
Unrealized loss on cash flow hedges, net of tax of \$ 5,344	-	-	(10,487)	-	(10,487)
Realized loss on cash flow hedges, net of tax of \$ (1,093)	-	-	2,630	-	2,630
Unrealized gain on available for sale assets, net of tax of \$ (2)	-	-	8	-	8
Unrealized effect of foreign currency translation of foreign operations	-	-	(74)	-	(74)
Net loss for the period	-	-	-	(32,950)	(32,950)
As at January 31, 2009	\$ 1,883,336	\$ 1,557	\$ (18,297)	\$ 292,961	\$ 2,159,557



**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

<b>FOR THE PERIOD ENDED</b>	<b>Three Months Ended January 31, 2009</b>	<b>Three Months Ended January 31, 2008</b>
	(unaudited)	(unaudited)
<b>Cash From (Used in) Operating Activities</b>		
Net earnings (loss)	\$ (32,950)	\$ 41,217
Adjustments for items not involving cash		
Amortization	26,178	25,522
Future income tax recovery	(10,933)	(9,062)
Equity loss (gain) of significantly influenced companies	(55)	1,442
Employee future benefits (Note 7)	1,326	158
Non-cash financing expenses (Note 8)	1,232	978
Loss (gain) on disposal of assets	245	(2,109)
Other items	60	(161)
Adjustments for items not involving cash	<u>18,053</u>	<u>16,768</u>
	(14,897)	57,985
Changes in non-cash working capital items		
Accounts receivable	128,941	(227,842)
Inventories	(34,171)	(135,503)
Accounts payable and accrued liabilities	(110,036)	70,145
Prepaid expenses and deposits	(27,978)	(35,535)
Changes in non-cash working capital	<u>(43,244)</u>	<u>(328,735)</u>
Cash used in operating activities	<u>(58,141)</u>	<u>(270,750)</u>
<b>Cash From (Used in) Financing Activities</b>		
Proceeds from long-term debt	100,000	-
Repayment of long-term debt	(4,337)	(489)
Proceeds from short-term borrowings	1,516	275,488
Repayment of other long-term liabilities, net	(224)	(1,957)
Increase in share capital (Note 6)	-	17
Debt refinancing cost	-	(1,618)
Cash from financing activities	<u>96,955</u>	<u>271,441</u>
<b>Cash From (Used in) Investing Activities</b>		
Property, plant and equipment expenditures	(14,694)	(6,612)
Proceeds on sale of property, plant and equipment	782	2,223
Business acquisitions (Note 4)	(3,430)	-
Increase in cash in trust	-	(23,406)
Decrease (increase) in investments	(238)	12
Increase in other long-term assets	-	(834)
Cash used in investing activities	<u>(17,580)</u>	<u>(28,617)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	21,234	(27,926)
<b>Cash and Cash Equivalents, Beginning of Period</b>	669,010	64,150
<b>Impact on cash of unrealized effect of foreign currency translation of foreign operations</b>	10	(69)
<b>Cash and Cash Equivalents, End of Period</b>	<u>\$ 690,254</u>	<u>\$ 36,155</u>
Cash and cash equivalents consist of:		
Cash	\$ 31,907	\$ 10,180
Short-term investments	670,162	26,337
Bank indebtedness	(11,815)	(362)
	<u>\$ 690,254</u>	<u>\$ 36,155</u>
Supplemental disclosure of cash paid during the period from operations:		
Interest paid	\$ 6,076	\$ 8,141
Income taxes paid	\$ 4,873	\$ 4,314



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2009 (unaudited) - in thousands of Canadian dollars, except as noted

### 1. NATURE OF BUSINESS

Viterra Inc. (the “Company”) is a publicly traded, vertically integrated Canadian agri-business. Business operations include five reporting segments: Grain Handling and Marketing, Agri-products, Agri-food Processing, Livestock Feed and Services, and Financial Products.

The Grain Handling and Marketing segment includes approximately 100 grain elevator locations, including two producer owned joint venture grain facilities and 10 processing plants strategically located in the prime agricultural growing regions of Western Canada, and two processing plants in the United States of America (“U.S.”). This segment also includes five wholly owned port terminal facilities located in Vancouver, British Columbia and Thunder Bay, Ontario, and an ownership interest in an export facility in Prince Rupert, British Columbia. Activity in this segment consists of the collection of grain through the Company’s primary elevator system, shipping to inland or port terminals, cleaning of grain to meet regulatory specifications, and sales to domestic or export markets. Earnings in the Grain Handling and Marketing segment are volume driven and are derived primarily from tariffs charged to producers for elevation and cleaning of Canadian Wheat Board (“CWB”) grains and from the sales of open market grains. Revenue is also derived through grain handling, blending, drying, storage and other ancillary services, as well as the sale of byproducts.

The Agri-products segment includes an ownership interest in a fertilizer manufacturer, a fertilizer distributor and a retail network of approximately 250 locations throughout Western Canada. Agri-products sales lines include fertilizer, crop protection products, seed and seed treatments, and equipment.

The Agri-food Processing segment includes the manufacture and marketing of value-added products associated with oats and malt barley for domestic and export markets.

The Livestock Feed and Services segment formulates and manufactures feed products at six feed mills and three pre-mix facilities across Western Canada and at six feed mill locations in Texas, New Mexico and Oklahoma in the U.S.

The Financial Products segment acts as an agent for a Canadian Schedule I chartered bank and provides unsecured trade credit to agricultural customers and secured loans to livestock producers.

Weather conditions are the primary risk in the agri-business industry. Grain volumes, grain quality, the volume and mix of crop inputs sold and ultimately, the financial performance of the Company, are highly dependent upon weather conditions throughout the crop production cycle.

The Company’s earnings follow the seasonal pattern of Prairie grain production. Activity peaks in the spring as new crops are sown and in the fall as mature crops are harvested. The volume of grain shipments are relatively stable through the quarters, but can be influenced by

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2009 (unaudited) - in thousands of Canadian dollars, except as noted

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destination customer demand, the CWB export program, and producers' marketing decisions. Sales of the Company's agri-products peak in May through July, corresponding with the growing season, supplemented by additional crop nutrient sales in the late fall. Although relatively steady throughout the year, sales in the Livestock Feed and Services segment tend to peak during the winter months as feed consumption increases. In the Agri-food Processing business, earnings are more fluid with continuous demand for products throughout each quarter. Financial Products' agency fees follow the related pattern of sales of the underlying activity in the Agri-products and Livestock Feed and Services segments.

### 2. ACCOUNTING POLICIES

These interim unaudited consolidated financial statements are based on accounting principles consistent with those used and described in the October 31, 2008 annual consolidated financial statements, except as described below. The Company's accounting policies are in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are reported in Canadian dollars unless specifically stated to the contrary. However, these financial statements do not include all of the information and disclosures required for annual financial statement presentation. The interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended October 31, 2008.

Certain comparative figures have been reclassified to conform to the current year's presentation.

#### a) Inventories

Effective November 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031, Inventories. This adoption resulted in additional disclosures as provided in Note 5.

Grain inventories include both hedgable and non-hedgable commodities. Hedgable and non-hedgable grain inventories are valued on the basis of closing market quotations less freight and handling costs. Agri-products, livestock feed, and other inventories consist of raw materials, work in progress and finished goods, and are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

#### b) Goodwill and Intangible Assets

Effective November 1, 2008, the Company adopted the CICA Handbook Section 3064, Goodwill and Intangibles. This adoption had no material impact to the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2009 (unaudited) - in thousands of Canadian dollars, except as noted

### 3. EARNINGS (LOSS) PER SHARE

	Three Months Ended January 31,	
	2009	2008
Net earnings (loss)	\$ (32,950)	\$ 41,217
Denominator for basic earnings per share amounts: Weighted average number of shares outstanding <sup>1</sup>	237,049	204,158
Basic earnings (loss) per share	\$ (0.14)	\$ 0.20
Denominator for diluted earnings per share amounts: Weighted average number of shares outstanding <sup>1</sup>	237,051	204,162
Diluted earnings (loss) per share	\$ (0.14)	\$ 0.20

<sup>1</sup>Number of shares in thousands

Share options in the amount of 698,793 (2008 – 69,408) have not been included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the period.

### 4. BUSINESS ACQUISITIONS

In the first quarter, the Company purchased two Agri-products retail locations.

Net assets acquired at fair value:

Current assets	\$ 1,868
Property, plant and equipment	1,657
Goodwill	555
Current liabilities	(650)
Cash consideration	\$ 3,430

These acquisitions have been funded through current operating cash flows.

Earnings derived from the businesses purchased have been included in the Company's consolidated financial statements commencing from the acquisition dates.

The acquisitions were accounted for using the purchase method, whereby the purchase consideration was allocated to the estimated fair values of the assets acquired and liabilities assumed at the effective date of the purchase.

### 5. INVENTORIES

As at	January 31, 2009	January 31, 2008	October 31, 2008
Grain	\$ 330,683	\$ 534,022	\$ 352,489
Agri-products	474,105	341,253	423,602
Livestock Feed and Services	42,542	28,446	39,095
Agri-food Processing	26,937	18,399	22,757
Total	\$ 874,267	\$ 922,120	\$ 837,943

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2009 (unaudited) - in thousands of Canadian dollars, except as noted

Grain cost of sales includes the cost of inventories, net realized and unrealized gains and losses on commodity contracts and exchange-traded derivatives, and freight.

Amortization of \$4.7 million (2008 - \$3.3 million) related to the manufacture of inventory that has now been sold is included in amortization expense.

Writedowns of Agri-products inventory of \$26.8 million (2008 - nil) have been included in cost of sales.

### 6. SHARE CAPITAL

#### a) Common Voting Shares

Authorized

Unlimited Common Voting Shares

	Common Voting Shares	
	Number <sup>1</sup>	Amount
Balance, October 31, 2007	204,156,350	\$ 1,422,843
Share issuance for cash	2,675	17
Balance, January 31, 2008	204,159,025	1,422,860
Share issuance for cash	32,890,188	460,462
Adjustment to share capital from contributed surplus for options exercised	-	14
Balance, October 31, 2008 and January 31, 2009	237,049,213	\$ 1,883,336

<sup>1</sup>Number of shares are not shown in thousands

#### b) Management Stock Option Plan

During fiscal 2008, the Management Stock Option Plan (the "Stock Option Plan") was reactivated after being inactive since fiscal 2004. The maximum number of Common Shares that may be issued under Options issued pursuant to the Stock Option Plan is approximately 10.2 million Common Shares. Once the 0.7 million Common Shares that can potentially be issued under currently granted and contingently granted Options are deducted, approximately 9.5 million Common Shares have been reserved for subsequent Option Grants.

Options granted prior to October 31, 2007 are fully vested, the last of which expires before August 14, 2013. Options granted subsequent to October 31, 2007 contingently vest after July 31, 2010 and expire on July 31, 2015.

The expense related to stock options is recognized over the vesting period based on the fair value of options determined by the Black-Scholes option pricing model with the following assumptions: risk-free rate 3.75%, dividend yield 0%, a volatility factor of the expected market price of the Company's shares of 37%, and a weighted average expected option life of 5.5 years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2009 (unaudited) - in thousands of Canadian dollars, except as noted

	Number of Options <sup>1</sup>	Weighted Average Exercise Price	Number of Options Exercisable <sup>1</sup>	Weighted Average Exercise Price
Outstanding October 31, 2007	80,327	\$ 77.50	80,327	\$ 77.50
Forfeited and expired	(100)	\$ 18.45		
Exercised	(2,675)	\$ 6.46		
Outstanding January 31, 2008	77,552	\$ 80.02	77,552	\$ 80.02
Options granted	634,412	\$ 12.12		
Forfeited and expired	(5,530)	\$ 142.93		
Exercised	(188)	\$ 8.84		
Outstanding October 31, 2008	706,246	\$ 18.55	71,834	\$ 74.99
Forfeited and expired	(50)	\$ 18.46		
Outstanding January 31, 2009	706,196	\$ 18.55	71,784	\$ 75.03

<sup>1</sup>Number of options are not shown in thousands

Of the 706,196 options outstanding, 71,784 are exercisable stock options at January 31, 2009, 10.3% have an exercise price of \$5.90 or less; the remainder have an exercise price at, or greater than, \$31.00. At January 31, 2009, the Company's shares closed at \$9.25.

### 7. EMPLOYEE FUTURE BENEFITS

#### a) Defined Benefit Plans and Future Benefits

The Company's net benefit costs related to defined benefit pension plans and other future benefits for the three-month period ended January 31, 2009 were \$1.3 million (2008 - \$0.2 million).

#### b) Defined Contribution Plans

The Company, including subsidiaries and affiliates, contributes to several defined contribution plans including four multi-employer plans. The Company's total consolidated defined contribution plan expense for the three-month period ended January 31, 2009, was \$2.7 million (2008 - \$2.0 million).

### 8. FINANCING EXPENSES

	Three Months Ended January 31,	
	2009	2008
Interest expense on:		
Long-term debt	\$ 11,640	\$ 6,648
Short-term debt	859	8,531
Interest income	(3,447)	(1,217)
CWB carrying charge recovery	(1,034)	(1,597)
	8,018	12,365
Interest accretion	464	226
Amortization of deferred financing costs	768	752
	\$ 9,250	\$ 13,343

### 9. SEGMENTED INFORMATION

The Company has not provided revenues from external customers by geographic location as it is not practicable to do so. Total sales and revenue from services include export sales of \$678.4 million (2008 - \$548.9 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2009 (unaudited) - in thousands of Canadian dollars, except as noted

The segments' accounting policies are consistent with those described in Accounting Policies (Note 2). The Company accounts for inter-segment sales at current market prices under normal trade terms.

	Three Months Ended January 31,	
	2009	2008
<b>Sales and other operating revenues</b>		
Grain Handling and Marketing	\$ 964,030	\$ 988,732
Agri-products	186,172	165,946
Agri-food Processing	48,441	43,175
Livestock Feed and Services	197,313	127,346
Financial Products	3,739	2,031
	1,399,695	1,327,230
Less: Inter-segment sales	17,954	10,088
	\$ 1,381,741	\$ 1,317,142
<b>Inter-segment sales</b>		
Grain Handling and Marketing	\$ 17,515	\$ 10,088
Agri-food Processing	439	-
	\$ 17,954	\$ 10,088
<b>Gross profit and net revenues from services</b>		
Grain Handling and Marketing	\$ 96,064	\$ 115,694
Agri-products	(8,641)	47,101
Agri-food Processing	4,515	2,317
Livestock Feed and Services	28,451	18,001
Financial Products	3,739	2,115
	\$ 124,128	\$ 185,228
<b>Operating, general and administrative expenses</b>		
Grain Handling and Marketing	\$ (48,139)	\$ (42,639)
Agri-products	(34,605)	(28,915)
Agri-food Processing	(1,997)	(1,586)
Livestock Feed and Services	(19,209)	(12,695)
Financial Products	(1,592)	(995)
Corporate	(24,991)	(17,128)
	\$ (130,533)	\$ (103,958)
<b>EBITDA<sup>1</sup></b>		
Grain Handling and Marketing	\$ 47,925	\$ 73,055
Agri-products	(43,246)	18,186
Agri-food Processing	2,518	731
Livestock Feed and Services	9,242	5,306
Financial Products	2,147	1,120
Corporate	(24,991)	(17,128)
	\$ (6,405)	\$ 81,270
<b>Amortization</b>		
Grain Handling and Marketing	\$ (10,121)	\$ (10,343)
Agri-products	(11,273)	(11,308)
Agri-food Processing	(1,468)	(1,445)
Livestock Feed and Services	(3,000)	(2,321)
Financial Products	(105)	(105)
Corporate	(211)	-
	\$ (26,178)	\$ (25,522)

<sup>1</sup> EBITDA – Earnings before interest, taxes, depreciation and amortization, gain (loss) on disposal of assets and integration expenses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2009 (unaudited) - in thousands of Canadian dollars, except as noted

EBIT <sup>2</sup>	Three Months Ended	
	January 31,	
	2009	2008
Grain Handling and Marketing	\$ 37,804	\$ 62,712
Agri-products	(54,519)	6,878
Agri-food Processing	1,050	(714)
Livestock Feed and Services	6,242	2,985
Financial Products	2,042	1,015
Corporate	(25,202)	(17,128)
	\$ (32,583)	\$ 55,748

<sup>2</sup> EBIT – earnings before interest, taxes, gain (loss) on disposal of assets and integration expenses

### 10. COMMITMENTS, CONTINGENCIES AND GUARANTEES

**a) Letters of Credit**

At January 31, 2009, the Company had outstanding letters of credit and similar instruments of \$68.2 million related to operating an agri-business (October 31, 2008 - \$68.2 million, January 31, 2008 - \$33.2 million). The terms range in duration and expire at various dates from February 2009 to November 2009. The amounts vary depending on underlying business activity or the specific agreements in place with the third parties. These instruments effectively reduce the amount of cash that can be drawn on the revolving credit facility.

**b) Loan Loss Provision**

Under the terms of an agreement, a financial institution provided credit for the purchase of crop inputs to certain customers of the Company in the Agri-products segment. The 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 in February 2008.

**c) Indemnification of Accounts Receivable**

Viterra Financial<sup>TM</sup> - the Company has a rolling five-year agreement with a Canadian Schedule I chartered bank to provide credit for qualifying agricultural producers to purchase crop inputs. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. Viterra indemnifies the bank for 50% of future losses to a maximum 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 January 31, 2009, the Company's obligation for past and future losses is current with the bank in accordance with the Agency Agreement.

Unifeed Financial<sup>®</sup> - the Company has a rolling five-year agreement with a Canadian Schedule I chartered bank to provide loans 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. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. Viterra indemnifies the bank for credit losses based on the first 20% to 33% of new credit issued on an individual account, dependent on the account's underlying credit rating, with losses in excess of these amounts shared on an equal basis with the bank up to 5% on the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the credit rating of the underlying accounts and the aggregate credit outstanding. As at

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2009 (unaudited) - in thousands of Canadian dollars, except as noted

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January 31, 2009, the Company's obligation for past and future losses is current with the bank in accordance with the Agency Agreement.

**d) Loan Guarantees**

The Company is contingently liable under several guarantees given to third-party lenders who have provided long-term financing to certain independent hog producers. As at January 31, 2009, the current outstanding balance of these guarantees is \$2.7 million (October 31, 2008 - \$2.8 million, January 31, 2008 - \$3.0 million). These guarantees diminish as the underlying loans are repaid and expire in 2014.

The Company is contingently liable to a finance company for a portion of losses incurred related to potential producer delinquencies associated with equipment leases and credit provided for the purchase of fertilizer bins. Given historically low delinquent rates in conjunction with collateral values of assets, the Company has accrued no obligation.

**e) Asset Retirement Obligations**

In 1987, a joint venture, which manufactured phosphate and nitrate fertilizers, closed two of its facilities. The asset retirement obligations represent the best estimate by management of the legal obligations it would incur during the reclamation process. Reclamation involves the demolition of the manufacturing facilities and the reclamation of the phosphogypsum stacks. Uncertainty exists regarding the estimation of future decommissioning and reclamation costs.

At January 31, 2009, the Company estimated that the undiscounted cash flow required to settle the asset retirement obligations was approximately \$23.5 million (October 31, 2008 - \$23.9 million, January 31, 2008 - \$20.2 million), which is expected to be settled over the 2009 through 2015 period. The credit adjusted risk-free rates at which the estimated cash flows have been discounted range from 4% to 5.4%.

**f) Director and Officer Indemnification**

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for its directors and officers as well as those of certain affiliated companies.

**g) Other Indemnification Provisions**

From time to time, the Company enters into agreements in the normal course of operations and in connection with business or asset acquisitions or dispositions. By their nature, these agreements may provide for indemnification of counterparties. The varying nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could incur. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

**h) Other Contingencies**

As at January 31, 2009, there are claims against the Company in varying amounts for which a provision in the financial statements is not considered necessary. The occurrence of the confirming future event is not determinable or it is not possible to determine the amounts that may ultimately be assessed against the Company with respect to these

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claims. Management believes that any such amounts would not have a material impact on the business or financial position of the Company.

### **11. FINANCIAL AND OTHER INSTRUMENTS AND HEDGING**

#### **a) Fair Value**

The following table presents the carrying amount and the fair value of the Company's financial instruments and non-financial derivatives. Amortized cost is calculated using the effective interest rate method. Fair value is based on quoted market prices. These amounts represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of significant judgment.

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	January 31, 2009		Financial Instruments Category	January 31, 2008		October 31, 2008	
	Carrying Value	Fair Value		Carrying Value	Fair Value	Carrying Value	Fair Value
Cash	\$ 31,907	\$ 31,907	HFT	\$ 10,180	\$ 10,180	\$ 183,536	\$ 183,536
Cash in trust	-	-	HFT	40,116	40,116	-	-
Short-term investments	670,162	670,162	HFT-D	26,337	26,337	486,129	486,129
Accounts receivable:							
Loans and receivables	567,644	567,644	L&R	568,343	568,343	703,773	703,773
Commodity contracts and exchange-traded derivatives	77,846	77,846	HFT	125,227	125,227	70,057	70,057
	645,490	645,490		693,570	693,570	773,830	773,830
Investments:							
Available for sale at fair value	73	73	AFS	220	220	62	62
Available for sale at cost	7,550	7,550	AFS	8,073	8,073	7,359	7,359
Non-financial instrument	303		N/A	9,957		224	
	7,926			18,250		7,645	
Other long-term assets:							
Long-term receivable	1,963	1,963	L&R	8,899	8,899	2,075	2,075
Non-financial instrument	59,609		N/A	47,887		67,163	
	61,572			56,786		69,238	
Bank indebtedness	11,815	11,815	OFL	362	362	655	655
Short-term borrowings	19,285	19,285	OFL	630,961	630,961	17,769	17,769
Accounts payable and accrued liabilities							
Other liabilities	756,471	756,471	OFL	765,937	765,937	846,765	846,765
Commodity contracts and exchange-traded derivatives	63,944	63,944	HFT	33,567	33,567	81,831	81,831
	820,415	820,415		799,504	799,504	928,596	928,596
Long-term debt, including current portion	707,841	695,837	OFL	303,987	306,487	610,088	595,257
Other long-term liabilities							
Commodity contracts and exchange-traded derivatives	19,630	19,630	HFT	-	-	10,121	10,121
Classified as other liabilities	13,959	13,959	OFL	12,878	12,878	9,638	9,638
Non-financial instrument	42,694		N/A	40,841		44,424	
	76,283			53,719		64,183	

Financial instruments category/guide:	HFT	Held for trading
	HFT-D	Held for trading – designated
	L&R	Loans and receivables
	AFS	Available for sale
	OFL	Other financial liabilities
	N/A	Not applicable

Changes in fair value of commodity contracts and exchange-traded derivatives are included in cost of sales.

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### b) Risks and Risk Management

The Company faces certain financial risks such as commodity price, foreign exchange, interest rate, credit and liquidity risk which can impact its financial performance. The Company is exposed to changes in commodity prices, foreign exchange rates and interest rates. The Company utilizes a number of financial instruments to manage these exposures. Financial instruments are not used for trading or speculative purposes. The Company mitigates risk associated with these financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board. For additional information on other general and environmental risks and how they arise and are managed, readers should review the 2008 Annual Information Form and Section 18 of Management's Discussion and Analysis included in the 2008 Annual Financial Review.

#### i) *Commodity Price Risk*

The Company is exposed to commodity price movements within the market as part of its normal operations. The Company uses exchange-traded futures and options contracts to minimize the effects of changes in the prices of hedgable agricultural commodities on its agri-business inventories and agricultural commodities forward cash purchase and sales contracts. Exchange-traded futures and options contracts are valued at the quoted market prices. Forward purchase contracts and forward sales contracts are valued at the quoted market prices, which are based on exchange quoted prices adjusted for freight and handling costs. This is consistent with the Company's practice in the prior year. The Company manages the risk associated with inventory and open contracts on a combined basis. The Company's Risk Management Policy provides limits within which management may maintain inventory and certain long or short commodity positions. Based on the Company's January 31, 2009 closing positions, a \$10 per tonne change in commodity market prices and a \$2 per tonne change in basis levels would result in a \$0.9 million change to the Company's after tax net earnings on unhedged positions. In relation to the natural gas contracts outstanding at January 31, 2009, a \$1 per gigajoule change in market prices would result in a \$1.2 million change to the Company's after tax net earnings.

#### ii) *Foreign Exchange Risk*

The Company is exposed to foreign exchange risk on financial commodity contracts which are denominated in U.S. dollars and on its investment in foreign subsidiaries. The Company uses derivative financial instruments, such as foreign currency forward contracts and futures contracts, to limit exposures to changes in foreign currency exchange rates with respect to its recorded foreign currency denominated assets and liabilities. Certain areas of the Company not related to the handling and marketing of grain have discontinued hedge accounting and have thereby increased the potential for volatility in income on these previously hedged contracts. These contracts as well as the foreign currency forward and futures contracts in the remaining areas of the Company are marked-to-market and unrealized gains and losses are recognized in income in the period in which they occur. Due to the Company's risk management strategy, the Company's sensitivity in net earnings and other comprehensive income to changes in the U.S. dollar, is insignificant.

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The Company also has immaterial exposures to currencies other than the U.S. dollar such as British pounds and euros.

### *iii) Interest Rate Risk*

The Company manages interest rate risk and currency risk on borrowings by using a combination of cash instruments, forwards and a mixture of fixed and floating rates. The Company has entered into interest rate swaps to manage variable interest rates associated with a portion of the Company's debt portfolio. The Company uses hedge accounting for interest rate swaps used to hedge long-term debt. Hedge accounting treatment results in interest expense on the related debt being reflected at hedged rates rather than at variable interest rates. The effective portion of changes in the fair value of the swap is recognized in other comprehensive income while any ineffective portion of changes in the fair value of the swap is recognized immediately in financing expenses. Gains and losses are recognized in financing expenses in the same period as the hedged item is settled. Based on the Company's current credit ratings and interest rate swaps, the hedged fixed rate of interest on the Credit Facility is approximately 5.3% on Canadian dollar borrowings and approximately 6.1% on U.S. dollar borrowings. The effect of a 25 basis point change on the \$223 million Canadian dollar interest rate swap would result in a \$1.5 million change to the Company's after tax other comprehensive income, and no change to after tax net earnings. The effect of a 25 basis point change on the \$74 million U.S. dollar interest rate swap would result in a \$0.6 million change to the Company's after tax other comprehensive income, and no change to after tax net earnings. The effect of a 25 basis point change on the \$99 million Canadian dollar interest rate swap would result in a \$0.6 million change to the Company's after tax other comprehensive income, and no change to after tax net earnings. The Company is also exposed to interest rate risk on short-term variable rate borrowings. The Company's short-term borrowings fluctuate with seasonal working capital requirements. A 1% increase in short-term variable rates based on January 31, 2009 borrowings would decrease after tax net earnings by \$0.1 million per annum.

The fair value of the secured notes fluctuates as market interest rates change. However, the secured notes have been designated as other financial liabilities and therefore, changes in their fair value have no impact on net earnings.

### *iv) Credit Risk*

The Company is exposed to credit risk in respect of trade receivables which the Company manages through ongoing credit reviews of all significant contracts and analysis of payment and loss history. The absence of significant financial concentration of such receivables, except as noted below for receivables from the CWB, limits its exposure to credit risk. Credit risk exposure for the Agri-products and Livestock Feed and Services segments are also limited through an arrangement with a Canadian Schedule I chartered bank which provides for limited recourse to the Company for credit losses on accounts receivable under Viterra Financial and Unifeed Financial.

The Company is also 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

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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.

All bad debt write-offs are charged to operating, general and administrative expenses. The changes in the allowance for losses against accounts receivable are as follows:

Balance, January 31, 2008	\$	10,336
Provision for losses		3,835
Write-offs, net of recoveries		(2,229)
Balance, October 31, 2008	\$	11,942
Provision for losses		(577)
Write-offs, net of recoveries		(175)
Balance, January 31, 2009	\$	11,190

The distribution of trade accounts receivable by credit quality as at January 31, 2009 shown in the following table.

Not past due	\$	439,307
Past due:		
Past due less than 60 days		22,895
Past due 60 to 90 days		3,665
Past due 90 days or more		8,465
Impaired		(11,190)
Balance, January 31, 2009	\$	463,142

Included in trade accounts receivable not past due is \$173.5 million due from the CWB which represents a significant concentration of credit risk.

The Company's maximum credit exposure at the balance sheet date consists primarily of the carrying amounts of non-derivative financial assets such as accounts receivable and long-term receivables as well as the fair value of commodity contracts, exchange-traded derivatives, and other non-trade assets included in accounts receivable.

Short-term investments are held with one Schedule I and one Schedule II Canadian commercial bank and have maturities of less than three months.

### v) *Liquidity Risk*

The Company actively maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. Please refer to Section 6.6 of the Management Discussion and Analysis for contractual maturities of financial liabilities at January 31, 2009.

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### c) Collateral

The Company has charged substantially all assets of the Company and certain of its subsidiaries as security for borrowings.

## 12. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to strive for a long-term manageable level of debt to total capital. Due to the seasonal nature of the Company's short-term borrowing requirements, the Company's objective is to manage the level of debt to total capital between 30% to 40%.

Debt to total capital is defined as total interest bearing debt divided by total interest bearing debt plus the book value of total shareholders' equity. Interest bearing debt is the aggregate of bank indebtedness, short-term borrowings, long-term debt due within one year and long-term debt.

As at	January 31, 2009	January 31, 2008	October 31, 2008
Bank indebtedness	\$ 11,815	\$ 362	\$ 655
Short-term borrowings	19,285	630,961	17,769
Total short-term debt	31,100	631,323	18,424
Long-term debt due within one year	18,582	2,448	14,703
Long-term debt	689,259	301,539	595,385
Total long-term debt	707,841	303,987	610,088
Total interest bearing debt	738,941	935,310	628,512
Shareholders' equity	2,159,557	1,520,831	2,200,725
Total capital	\$ 2,898,498	\$ 2,456,141	\$ 2,829,237
Debt to total capital:			
As at the balance sheet date	25:75	38:62	22:78
Four quarter average	27:73	36:64	30:70

The Company has a covenant to maintain a debt to capitalization ratio as prescribed by the financial institutions for a portion of the long-term financing. At January 31, 2009, the Company is in compliance with external covenants related to the management of capital.

## 13. FUTURE ACCOUNTING CHANGES

### a) International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies would be required to converge with International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis. In February 2008, the Accounting Standards Board confirmed the effective due date of the initial adoption of IFRS. The

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impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

- b) In January 2009, the CICA issued Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests. The new sections will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. The impact on the Company's consolidated financial statements has not yet been determined.