



**Saskatchewan Wheat Pool**

# NEWS RELEASE

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For Immediate Release

Regina, Saskatchewan

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## **POOL ANNOUNCES SECOND QUARTER RESULTS**

Saskatchewan Wheat Pool's second quarter results show improved cash earnings from its core grain and livestock businesses. For the three month period, earnings before interest, securitization, depreciation and taxes (EBITDA) in the Grain Handling and Marketing segment reached \$10.7 million more than double the comparable three month period in Fiscal '99. The Livestock Production and Marketing segment recorded more than four times the cash earnings in the second quarter, reaching \$3.6 million.

The value-added side of the business also provided an important contribution during this period of low grain prices. EBITDA for the Agri-Food Processing segment for the first six months of the year was \$15.3 million, 44% of total segment cash earnings.

"While there has been some improvement in our core businesses during the second quarter," says CEO Mayo Schmidt, "year-to-date results continue to reflect the difficult industry conditions facing agriculture. Operating results will improve over the balance of this year, but the improvement will not eliminate the losses we have experienced to date. As a result, we have initiated a comprehensive restructuring plan and have taken other steps to enhance our financial performance going forward. We will begin to realize the full impact of these savings in Fiscal 2001 and beyond."

For the quarter ended January 31, 2000, the Pool reported a net loss of \$10.7 million or \$0.28 per share prior to a provision for the windup of SWP Matrix Limited, the Pool's former European grain trading operation. The loss compares to a 2<sup>nd</sup> quarter earning of \$2 million or \$0.05 per share in Fiscal 1999. The net loss for the three month period, including the Matrix provision, amounted to \$14.8 million or \$0.39 per share bringing the six month loss to \$29.3 million or \$0.78 per share.

Cash flow from operations for the three month period was \$12.5 million, up slightly from the 2<sup>nd</sup> quarter of Fiscal 1999 and substantially ahead of the \$1.7 million generated in the first quarter of Fiscal 2000. Six month cash flow totaled \$14.2 million or \$0.38 per share compared to \$19.6 million or \$0.52 per share a year earlier.

On a consolidated basis, sales and operating revenue for the first six months declined to \$1.6 billion from \$1.8 billion one year earlier, primarily as a result of low commodity prices.

Grain handling volumes in the Pool's primary elevator system improved 11% during the quarter, compared to 1999, partly offsetting lower first quarter volumes and raising six month totals to 4.2 million tonnes. Total terminal volumes for the first six months of Fiscal 2000 were similar to last year but varied significantly by location. At the Pool's wholly owned terminals, Thunder Bay volumes were down 35% while Vancouver was ahead by 2% compared to the previous year. The Pool's share of grain handled by its affiliate, Prince Rupert Grain, more than doubled 1999's level. "Prince Rupert has been the prime beneficiary of the rise in Canadian Wheat Board exports to date," says Schmidt. "As a consequence, the expected volume increases at our Vancouver port terminal have not materialized."

**Six Month Handling Volumes to January 31**  
(millions of tonnes)

	<u>1999/00</u>	<u>1998/99</u>
Primary Elevator System	<u>4.22</u>	<u>4.27</u>
Terminal Operations		
Vancouver - SWP	1.05	1.04
Thunder Bay - SWP	0.89	1.36
Share of Affiliates	<u>1.00</u>	<u>0.51</u>
	<u>2.94</u>	<u>2.91</u>

The Agri-products segment reported EBITDA of \$580,000 for the three month period, an improvement over the first quarter but well below last year. The decrease was due to reduced contributions from Western Co-operative Fertilizer Limited as well as lower sales at the Pool's retail operation. The Pool still expects strong earnings from this segment once Spring seeding commences.

While the Agri-food Processing segment remains the most significant contributor, it experienced a decline in its cash earnings from \$25 million for the first six months of Fiscal 1999 to \$15.3 million in Fiscal 2000. Although CSP Food's performance continues to improve, the overall segment decrease was primarily due to two factors: the Pool's \$3 million share of a Fletcher's Fine Foods' restructuring charge related to consolidation of its U.S. processing facilities; and, lower margins for Prairie Malt and CanAmera Foods.

Increased cattle handling volumes and hog production for the first half of Fiscal 2000 were directly responsible for improved cash results for the Pool's Livestock Production and Marketing segment. This earnings trend is expected to continue for the full year.

“We announced a corporate restructuring initiative two weeks ago,” says Schmidt, “and are continuing to seek other opportunities to return the Pool to sustained profitability.”

Saskatchewan Wheat Pool is based in Regina, Saskatchewan and is Canada’s largest publicly traded agri-business co-operative. The Pool’s Class B shares are listed on the Toronto Stock Exchange under the symbol SWP.B.

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**Consolidated Statements of Earnings**  
(in millions of dollars, except per share amounts)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>January 31</b>		<b>January 31</b>	
	<b>(unaudited)</b>		<b>(unaudited)</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
Sales and other operating revenues	\$888.0	\$944.9	\$1,570.2	\$1,769.4
Cost of sales and operating expenses	840.5	895.8	1,488.9	1,672.4
Selling and administrative expenses	30.8	29.3	57.6	59.9
Depreciation and amortization	19.1	13.1	35.8	26.7
Provisions for impairment and restructuring	6.9	4.5	6.9	4.5
	897.3	942.7	1,589.2	1,763.5
Earnings (loss) before the undernoted Equity earnings (loss) of significantly influenced companies	(9.3)	2.2	(19.0)	5.9
Non-controlling interest	(1.4)	1.6	(1.1)	2.0
	-	-	0.2	-
Earnings (loss) before interest & taxes	(10.7)	3.8	(19.9)	7.9
Interest expense	10.8	5.8	20.2	12.8
Securitization expense	1.3	2.0	6.1	5.4
Earnings (loss) before corporate taxes	(22.8)	(4.0)	(46.2)	(10.3)
Recovery of corporate taxes	8.0	3.3	16.9	5.7
Net earnings (loss)	\$(14.8)	\$(0.7)	\$(29.3)	\$(4.6)
Earnings (loss) per share	\$(0.39)	\$(0.02)	\$(0.78)	\$(0.12)

**Sales and Other Operating Revenues by Segment**  
(in millions of dollars)

	<b>Three Months</b>		<b>Six Months Ended</b>	
	<b>Ended</b>		<b>January 31</b>	
	<b>January 31</b>		<b>(unaudited)</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
		(restated)		(restated)
Grain handling and marketing	\$615.3	\$657.8	\$1,055.3	\$1,210.5
Agri-products	58.9	69.4	116.0	147.8
Agri-food processing	162.9	171.8	314.4	343.9
Livestock production and marketing	62.7	53.7	105.0	87.7
Publishing and other	3.4	3.4	6.6	6.7
Intersegment sales	(15.2)	(11.2)	(27.1)	(27.2)
	\$888.0	\$944.9	\$1,570.2	\$1,769.4

### Segment Earnings from Operations

	(in millions) Three months ended January 31 2000				(in millions) Three months ended January 31 1999			
	(unaudited)				(unaudited) (restated)			
	EBITDA	D&A	Provisions	EBIT	EBITDA	D&A	Provisions	EBIT
Grain Handling & Marketing	\$ 10.7	\$ 9.0	\$ 6.9	\$ (5.2)	\$ 4.8	\$ 5.2	\$ -	\$ (0.4)
Agri-products	0.6	3.2	-	(2.6)	8.2	2.4	-	5.8
Agri-food Processing	6.3	3.8	-	2.5	14.1	3.6	4.5	6.0
Livestock Production & Marketing	3.6	2.7	-	0.9	0.9	1.3	-	(0.4)
Publishing & Other	0.7	0.1	-	0.6	0.5	-	-	0.5
<b>Segment Results</b>	<b>21.9</b>	<b>18.8</b>	<b>6.9</b>	<b>(3.8)</b>	<b>28.5</b>	<b>12.5</b>	<b>4.5</b>	<b>11.5</b>
Reconciling Differences:								
Corporate Expenses	(7.3)	0.3	-	(7.6)	(6.5)	0.6	-	(7.1)
Tax Provision on Equity Earnings	0.7	-	-	0.7	(0.6)	-	-	(0.6)
<b>Per Financial Statements</b>	<b>\$ 15.3</b>	<b>\$ 19.1</b>	<b>\$ 6.9</b>	<b>\$ (10.7)</b>	<b>\$ 21.4</b>	<b>\$ 13.1</b>	<b>\$ 4.5</b>	<b>\$ 3.8</b>

### Segment Earnings From Operations

	(in millions) Six months ended January 31 2000				(in millions) Six months ended January 31 1999			
	(unaudited)				(unaudited) (restated)			
	EBITDA	D&A	Provisions	EBIT	EBITDA	D&A	Provisions	EBIT
Grain Handling & Marketing	\$ 12.7	\$ 16.1	\$ 6.9	\$ (10.3)	\$ 15.0	\$ 11.1	\$ -	\$ 3.9
Agri-products	0.1	6.2	-	(6.1)	8.4	4.5	-	3.9
Agri-food Processing	15.3	7.8	-	7.5	25.1	7.6	4.5	13.0
Livestock Production & Marketing	5.8	4.7	-	1.1	2.0	2.2	-	(0.2)
Publishing & Other	1.1	0.2	-	0.9	0.9	0.1	-	0.8
<b>Segment Results</b>	<b>35.0</b>	<b>35.0</b>	<b>6.9</b>	<b>(6.9)</b>	<b>51.4</b>	<b>25.5</b>	<b>4.5</b>	<b>21.4</b>
Reconciling Differences:								
Corporate Expenses	(12.6)	0.8	-	(13.4)	(11.2)	1.2	-	(12.4)
Tax Provision on Equity Earnings	0.4	-	-	0.4	(1.1)	-	-	(1.1)
<b>Per Financial Statements</b>	<b>\$ 22.8</b>	<b>\$ 35.8</b>	<b>\$ 6.9</b>	<b>\$ (19.9)</b>	<b>\$ 39.1</b>	<b>\$ 26.7</b>	<b>\$ 4.5</b>	<b>\$ 7.9</b>

**Consolidated Balance Sheets**  
**(in millions of dollars)**  
**As at January 31**

	<b>2000</b>	<b>1999</b>
		(restated)
Current assets	\$ 631.4	\$ 668.7
Investments	87.8	82.6
Capital assets	911.7	795.0
Other long-term assets	136.9	134.0
	<u>\$1,767.8</u>	<u>\$1,680.3</u>
Current liabilities	\$ 562.8	\$ 591.8
Long-term debt	542.9	371.8
Other long-term liabilities	48.2	49.8
Non-controlling interest	4.9	5.3
Shareholders' equity	609.0	661.6
	<u>\$1,767.8</u>	<u>\$1,680.3</u>

**Consolidated Statements of Cash Flow**  
**(in millions of dollars, except cash flow per share)**  
**For the Six Months Ended January 31**

	<b>2000</b>	<b>1999</b>
		(restated)
Net loss	\$ (29.3)	\$ (4.6)
Depreciation and amortization	35.8	26.7
Other	7.7	(2.5)
Cash flow from operations	14.2	19.6
Changes in non-cash working capital items	(162.4)	(86.4)
Cash used in operating activities	(148.2)	(66.8)
Proceeds of long-term debt, net	78.9	153.1
Proceeds of short-term borrowings	148.6	100.6
Repayment of members' demand loans	(3.1)	(3.5)
Dividends	(15.0)	(15.0)
Other	(2.0)	2.7
Cash from financing activities	207.4	237.9
Increase in capital assets	(78.1)	(170.4)
Business acquisitions	-	(14.9)
Decrease (increase) in investments	0.4	(3.7)
Increase in other long-term assets	(3.2)	(10.6)
Cash used in investing activities	(80.9)	(199.6)
Decrease in cash and cash equivalents*	(21.7)	(28.5)
Cash and cash equivalents, beginning of period*	2.9	9.9
Cash and cash equivalents, end of period*	\$(18.8)	\$(18.6)
Cash flow per share	\$ 0.38	\$ 0.52

\* Cash and cash equivalents are comprised of short-term investments and bank indebtedness.