



Saskatchewan Wheat Pool

NEWS RELEASE

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The Pool posts strong fourth quarter performance and improved cash flows

Saskatchewan Wheat Pool announced today strong fourth quarter results led by a solid performance in the Agri-Products segment and improved performances by the Grain Handling and Marketing, Agri-food Processing and Livestock Production and Marketing segments. Fourth quarter earnings totaled \$7.7 million or \$0.20 per share prior to provisions, a 66 per cent improvement over the \$4.7 million earned in the fourth quarter of fiscal 1999. Cash flow from operations in the fourth quarter was \$1.12 per share nearly double the \$0.58 per share generated in the fourth quarter last year.

In the Grain Handling and Marketing segment, primary handling volumes improved nine per cent in the fourth quarter while port terminal volumes increased six per cent. The Grain Handling and Marketing segment recorded earnings before interest, securitization, taxes, depreciation and amortization, (EBITDA) prior to provisions of \$12.5 million in the last quarter, a 39 per cent improvement over the \$9 million in EBITDA a year earlier. Results in the Agri-food segment totaled \$6.6 million, more than double the fourth quarter of fiscal 1999 led by improved performances from CanAmera Foods, CSP Foods and Can-Oat Milling. Strong hog prices and an increase in hogs marketed, led to a \$6.1 million EBITDA from the Livestock Production and Marketing segment compared to a loss of \$900,000 in the final quarter of last year.

"I'm encouraged by our improved performance in the fourth quarter," said Chief Executive Officer, Mayo Schmidt. "When I joined the Pool earlier this year, I stated that we would move quickly to position the Pool to return to profitability. To complement the strength of our existing management team, we appointed several key executives who are industry leaders in international grain marketing, agri-food processing and process engineering. Our performance in the last three months of fiscal 2000 reinforces that the aggressive actions taken by the management team and Board are beginning to show positive results. We expect to see those results continue into fiscal 2001."

Sales and operating revenue for the full year were \$3.3 billion compared to \$3.6 billion last year. Significant declines in commodity prices reduced revenues from the Grain Handling and Marketing and Agri-Food Processing segments. Cost of sales and operating expenses were also lower at \$3.1 billion compared to \$3.4 billion last year. Selling and administration expenses were \$12 million lower than last year as a result of the Pool's emphasis on cost control across the entire organization.

Results for the year, prior to restructuring and impairment charges, showed a loss of \$36.3 million or \$0.97 per share compared to a loss of \$7.0 million or \$0.18 per share last year. Depreciation and interest expenses combined increased by \$35 million over last year due to the completion of the Pool's major capital expansion projects. The Pool recorded pre-tax restructuring and impairment charges for the year of \$69.4 million. This included a \$37.9 million fourth quarter provision to reflect the Pool's decision to divest of its interest in the port terminal project at Gdansk, Poland. After tax, fiscal 2000 provisions totaled \$53.6 million or \$1.43 per share bringing the Pool's net loss for the year to \$89.9 million or \$2.40 per share.

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The company generated cash flow of \$57.1 million or \$1.53 per share, a 20 per cent increase over fiscal 1999's \$47.5 million or \$1.27 per share. EBITDA for fiscal 2000 was \$82.5 million, down seven per cent from fiscal 1999.

- The Grain Handling and Marketing segment reported EBITDA of \$22.9 million compared to \$26.1 million in 1999. The decline resulted primarily from \$8.7 million in estimated additional costs associated with an international grain transaction.
- The Agri-products segment produced EBITDA of \$35.9 million down from \$48.7 million in 1999, primarily as a result of substantially lower contributions from one-third owned Western Cooperative Fertilizers Limited.
- The Agri-food Processing segment reported a \$6.3 million decline in EBITDA due mainly to significantly lower contributions by Premium Brands Inc. (formerly Fletcher's Fine Foods Ltd.) which was impacted by a shortage of hogs in western Canada and rising hog prices.
- The Livestock Production and Marketing segment generated EBITDA of \$14.2 million compared to \$1.9 million a year earlier, led by Heartland Pork Management Services which nearly doubled the number of hogs marketed while enjoying strong hog prices.

"Our strategic decisions have resulted in significant charges against this year's earnings. However, these issues are behind us now and we can turn our focus to managing our operations and improving the profitability of our asset base," said Schmidt.

During the past year, the company completed Project Horizon, the Pool's prairie-wide system renewal strategy. All 22 of the new high throughput terminals are fully operational, one year ahead of schedule. The Pool's new management team is moving quickly to eliminate excess capacity through the accelerated consolidation program. Despite the onset of new competition in Saskatchewan, the Pool's western Canadian market share declined only slightly to 24 per cent compared to 25 per cent in 1999. "We have the most sophisticated facilities network in western Canada that allows the Pool to link prairie production to destination customers around the world," Schmidt says. "It is designed to capture the incentives that railways are awarding to companies with the ability to load multi-car unit trains. The Pool now has 60 per cent of the 100 car loading capacity on the Prairies. We are focused on delivering quality services to our members and building and sustaining relationships with new customers both on the farm and in end-use markets."

Looking forward to fiscal 2001, management expects significant improvements in operating earnings and cash flow. The Pool will complete the rationalization of its elevator network by January 31, 2001 which is expected to result in at least \$15 million in cost savings in fiscal 2001. "We are committed to lowering costs, reducing debt, improving cash flow and forging closer partnerships with producers and end-use customers" added Schmidt.

Other highlights:

- CSP Foods, the Pool's bakery supply manufacturer and distributor successfully completed its restructuring plan announced in fiscal 1999. The division achieved a significant reduction in its cost structure in fiscal 2000 and posted substantially improved financial results.

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- Fiscal 2000 was the Pool's final year of its three-year capital spending program to modernize its grain handling network and strengthen its value added businesses. Consolidated capital expenditures were \$110 million in fiscal 2000 and are expected to decline to \$60 million in fiscal 2001. Only \$30 million will be incurred directly by the Pool. The Pool plans to hold capital spending to maintenance levels in fiscal 2001 utilizing its free cash flow for debt reduction.
- The Pool is currently renegotiating its existing lines of credit with financial institutions. While borrowing costs may increase, management expects that negotiations will be completed satisfactorily and will not negatively affect working capital.

Handling Volumes to July 31
(millions of tonnes)

	<u>2000</u>	<u>1999</u>
Primary Elevator System	<u>8.54</u>	<u>7.95</u>
Terminal Operations		
Vancouver - SWP	2.1	2.0
Thunder Bay - SWP	1.8	2.5
Share of Affiliates	<u>1.8</u>	<u>0.8</u>
	<u>5.7</u>	<u>5.3</u>

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

	Three Months Ended		Twelve Months Ended	
	July 31		July 31	
	2000	1999	2000	1999
	(unaudited)	(unaudited)		
Sales and other operating revenues	\$1,026.3	\$1,057.8	\$3,327.0	\$3,594.7
Cost of sales and operating expenses	946.1	988.7	3,134.7	3,387.3
Selling and administrative expenses	26.8	31.7	108.8	121.0
Depreciation and amortization	23.6	22.2	77.0	63.7
Restructuring and impairment charges, net	33.4	5.0	69.4	9.5
	1,029.9	1,047.6	3,389.9	3,581.5
Earnings (loss) before the undernoted	(3.6)	10.2	(62.9)	13.2
Equity earnings (loss) of significantly				
Influenced companies	0.4	-	(1.2)	2.2
Non-controlling interest	0.2	0.1	0.2	0.1
Earnings (loss) before interest & taxes	(3.0)	10.3	(63.9)	15.5
Interest expense	13.8	4.5	46.6	25.1
Securitization expense	3.9	4.0	11.9	11.8
Earnings (loss) before corporate taxes	(20.7)	1.8	(122.4)	(21.4)
Provision for (recovery of) corporate taxes	3.6	0.5	(32.5)	(8.5)
Net earnings (loss)	\$(24.3)	\$ 1.3	\$(89.9)	\$(12.9)
Earnings (loss) per share	\$(0.65)	\$0.04	\$(2.40)	\$(0.34)

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

	Three Months Ended July 31		Twelve Months Ended July 31	
	2000	1999*	2000	1999*
	(unaudited)	(unaudited)		
Grain Handling and Marketing	\$519.9	\$574.2	\$2,032.2	\$2,262.6
Agri-products	330.5	317.5	531.7	555.0
Agri-food Processing	140.9	139.6	590.3	639.8
Livestock Production and Marketing	47.7	31.7	211.7	169.5
Publishing and Other	3.3	3.4	15.2	15.6
Intersegment Sales	(16.0)	(8.6)	(54.1)	(47.8)
	<u>\$1,026.3</u>	<u>\$1,057.8</u>	<u>\$3,327.0</u>	<u>\$3,594.7</u>

* 1999 results have been restated to primarily reflect the movement of CanGro Processors Ltd. from the Agri-products segment to the Livestock Production and Marketing segment.

Segment Earnings from Operations

	(in millions) Three months ended July 31 2000				(in millions) Three months ended July 31 1999*			
	(unaudited)				(unaudited)			
	EBITDA	D&A	Provisions	EBIT	EBITDA	D&A	Provisions	EBIT
Grain Handling & Marketing	\$ 12.5	\$ 9.4	\$ 37.9	\$ (34.8)	\$ 9.0	\$ 11.1	\$ 4.2	\$ (6.3)
Agri-products	33.6	3.8	(4.2)	34.0	34.0	4.7	-	29.3
Agri-food Processing	6.6	3.7	(0.3)	3.2	2.9	3.5	0.8	(1.4)
Livestock Production & Marketing	6.1	6.2	-	(0.1)	(0.9)	2.3	-	(3.2)
Publishing & Other	0.5	0.1	-	0.4	0.5	0.1	-	0.4
Segment Results	59.3	23.2	33.4	2.7	45.5	21.7	5.0	18.8
Reconciling Differences:								
Corporate Expenses	(5.8)	0.4	-	(6.2)	(7.9)	0.5	-	(8.4)
Tax Provision on Equity Earnings	0.5	-	-	0.5	(0.1)	-	-	(0.1)
Per Financial Statements	\$ 54.0	\$ 23.6	\$ 33.4	\$ (3.0)	\$ 37.5	\$ 22.2	\$ 5.0	\$ 10.3

Segment Earnings From Operations

	(in millions) Twelve months ended July 31 2000				(in millions) Twelve months ended July 31 1999*			
	EBITDA	D&A	Provisions	EBIT	EBITDA	D&A	Provisions	EBIT
Grain Handling & Marketing	\$ 22.9	\$ 33.2	\$ 64.8	\$ (75.1)	\$ 26.1	\$ 27.8	\$ 4.2	\$ (5.9)
Agri-products	36.0	12.8	(4.2)	27.4	48.7	12.7	-	36.0
Agri-food Processing	28.4	15.4	(4.5)	17.5	34.7	14.8	5.3	14.6
Livestock Production & Marketing	14.2	13.7	5.1	(4.6)	1.9	6.1	-	(4.2)
Publishing & Other	3.6	0.4	-	3.2	3.4	0.4	-	3.0
Segment Results	105.1	75.5	61.2	(31.6)	114.8	61.8	9.5	43.5
Reconciling Differences:								
Corporate Expenses	(23.5)	1.5	8.2	(33.2)	(24.4)	1.9	-	(26.3)
Tax Recovery (Provision) on Equity Earnings	0.9	-	-	0.9	(1.7)	-	-	(1.7)
Per Financial Statements	\$ 82.5	\$ 77.0	\$ 69.4	\$ (63.9)	\$ 88.7	\$ 63.7	\$ 9.5	\$ 15.5

* 1999 results have been restated to primarily reflect the movement of CanGro Processors Ltd. from the Agri-products segment to the Livestock Production and Marketing segment.

Consolidated Balance Sheets

(in millions of dollars)

As at July 31

	2000	1999
Current assets	\$ 530.3	\$ 542.4
Investments	76.3	89.6
Capital assets	851.4	865.8
Other long-term assets	129.4	138.6
	<u>\$ 1,587.4</u>	<u>\$1,636.4</u>
Current liabilities	\$ 452.8	\$ 476.0
Long-term debt	534.3	468.6
Other long-term liabilities	52.0	48.4
Non-controlling interest	4.7	5.1
Shareholders' equity	543.6	638.3
	<u>\$1,587.4</u>	<u>\$1,636.4</u>

Consolidated Statements of Cash Flows
(in millions of dollars, except cash flow per share)

For the Twelve Months Ended July 31

	Three Months Ended July 31		Twelve Months Ended July 31	
	2000	1999	2000	1999
Net earnings (loss)	\$ (24.3)	\$ 1.3	\$ (89.9)	\$ (12.9)
Depreciation and amortization	23.6	22.2	77.0	63.7
Restructuring and impairment charges, net	30.8	4.4	63.2	6.8
Other	11.9	(6.1)	6.9	(10.1)
Cash flow from operations	42.0	21.8	57.2	47.5
Changes in non-cash working capital items	124.7	124.0	(42.6)	99.2
Cash from operating activities	166.7	145.8	14.6	146.7
Proceeds (repayment) of long-term debt, net	(11.9)	(8.7)	69.0	254.6
Proceeds (repayment) of short-term borrowings	(108.9)	(57.3)	47.3	(72.4)
Repayment of members' demand loans	(11.6)	(4.9)	(23.0)	(12.3)
Dividends	-	-	(15.0)	(15.0)
Other	(3.4)	4.5	0.2	3.2
Cash (used in) from financing activities	(135.8)	(66.4)	78.5	158.1
Increase in capital assets	(14.4)	(46.9)	(109.8)	(270.5)
Divestitures (business acquisitions)	2.6	-	9.3	(14.9)
Decrease (increase) in investments	0.6	(7.7)	0.9	(10.8)
Increase (decrease) in other long-term assets	(1.4)	5.5	(5.6)	(15.6)
Cash used in investing activities	(12.6)	(49.1)	(105.2)	(311.8)
Increase (decrease) in cash and cash equivalents*	18.3	30.3	(12.1)	(7.0)
Cash and cash equivalents, beginning of period*	(27.5)	(27.4)	2.9	9.9
Cash and cash equivalents, end of period*	\$ (9.2)	\$ 2.9	\$ (9.2)	\$ 2.9
Cash flow per share	\$ 1.12	\$ 0.58	\$ 1.53	\$ 1.27

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

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.

- 30 -

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