



**Saskatchewan Wheat Pool**

For Immediate Release  
March 10, 2005  
Regina, Saskatchewan  
Listed: TSX  
Symbol: SWP.NV.B

### **Pool's Second Quarter Results in Line with Company Expectations**

Saskatchewan Wheat Pool recorded consolidated sales and operating revenues of \$322 million in the second quarter of fiscal 2005 similar to the sales generated in the same quarter of fiscal 2004. Strong second quarter fertilizer sales through the Pool's retail operations coupled with increased Agri-food Processing sales offset a 7% decline in the value of grain sales due primarily to the impact of lower commodity prices.

For the first six months of fiscal 2005, the Pool generated sales of \$551 million compared to \$610 million for the same period a year earlier. The variance primarily reflects lower non-Board commodity prices overall.

Second quarter EBITDA, or earnings before interest, taxes, depreciation and amortization, was \$14.0 million, compared to \$25.5 million in last year's second quarter. EBITDA for the year's first six months was \$11.9 million, compared to EBITDA of \$34.5 million last year. The primary variance between the two periods relates to lower grain margins because of the late harvest, which resulted in having to pay high purchase premiums and shipping costs to secure the required quality commodities to meet its sales commitments in the first six months. This year's EBITDA includes approximately \$1.6 million in positive one-time items, while in the first six months of last year there was approximately \$7.1 million in positive one-time items.

Chief Executive Officer, Mayo Schmidt says, "Operating results for the quarter are in line with our expectations given the poor quality crops available to grain handlers this year. The business continues to gain momentum and we look forward to strong sales and cash flow for our core operations in the peak spring selling season. This, together with the balance sheet benefits we anticipate from a successful recapitalization initiative and our planned \$150 million underwritten rights offering, will restore the Pool to a strong financial and competitive position. It will allow us to build on the many efficiency measures and financial improvements we have implemented since 2000."

Interest expense was \$8.7 million for the quarter, including \$3.0 million of non-cash accretion. For last year's second quarter, interest expense was \$9.2 million, including \$2.6 million of non-cash accretion. Interest expense in the first six months of 2005 totaled \$18.1 million with \$5.9 million of non-cash accretion, which compares to \$19.4 million in the first six months of last year including \$5.1 million of non-cash accretion.

Amortization for the quarter was \$6.8 million compared to \$6.0 million a year earlier. Total amortization for the six months ended January 31, 2005 was \$13.3 million up from the \$12.0 million in the first six months of last year.

EBIT, or earnings before interest and taxes, for the quarter was \$7.1 million, down from \$19.5 million in the same period in 2004. In the first six months of this year, the Pool's EBIT loss was \$1.4 million, compared to 2004 EBIT earnings of \$22.5 million.

For the quarter, the net loss from continuing operations was \$0.9 million compared to earnings from continuing operations of \$9.5 million last year. For the six months, the net loss from continuing operations was \$16.5 million compared to net earnings from continuing operations of \$2.4 million in the first six months of 2004.

The net loss for the second quarter was \$0.9 million (\$0.03 per share) compared to a net loss of \$4.8 million in the second quarter last year (\$0.05 per share). On a year-to-date basis, the net loss was \$16.5 million (\$0.11 per share) compared to \$14.6 million (\$0.13 per share) in the first six months of 2004.

Cash flow from continuing operations recovered to a breakeven level for the six months ended January 31, 2005 from an \$8.1 million negative position at the end of the first quarter. The company expects to generate significant cash flows by year-end, particularly in the last three months, its traditionally strongest quarter.

## **Operating Results**

### **Grain Handling and Marketing**

The Pool's Grain Handling and Marketing segment shipped 1.8 million tonnes of grain and oilseeds in the second quarter of fiscal 2005, up 12% from the 1.6 million shipped in last year's second quarter. On a year-to-date basis, shipments were 3.3 million tonnes, an increase of 9% from the previous year. This compares favourably to the industry, which, in the first half of 2005, experienced a 5% increase in western Canadian shipments of the six major grains.

Producer deliveries into the Pool's primary elevators were 1.8 million tonnes during the quarter, which is up 22% from the second quarter last year. On a year-to-date basis, producer deliveries totaled 3.4 million tonnes versus 3.1 million tonnes in the first six months of 2004, reflecting increased production in Saskatchewan, the Pool's primary market region. The Pool's western Canadian market share at January 31, 2005 was 23% compared to 21% after the first six months of 2004.

Total port terminal volumes through the Pool's wholly owned export facilities were 1.1 million tonnes in the second quarter, up approximately 19% from the second quarter of 2004. For the six months, the Pool's wholly owned ports received 2.0 million tonnes of grains and oilseeds, which is on par with the previous year's period.

### **Six Months Ended January 31 Volumes (in thousands of metric tonnes)**

	<b>2005</b>	<b>2004</b>	<b>Increase (Decrease)</b>
Primary elevator receipts	3,439	3,136	10%
Primary elevator shipments	3,324	3,039	9%
Terminal operations			
Vancouver	1,175	1,241	(5)%
Thunder Bay	844	753	12%
Share of affiliates	288	156	85%
Total terminal operations	2,307	2,150	7%

The Pool's pipeline margin per tonne for the quarter was \$16.76, up from the \$14.84 per tonne generated in the first quarter, but behind the \$20.43 earned in the second quarter of last year. Margins in the first six months of 2005 (\$15.88) are lagging 2004 levels (\$22.29) because of this year's poor crop quality, low commodity prices and the abundance of feed grain in the Prairie system. The early frost and delayed harvest has made it difficult to secure sufficient quantities of grains and oilseeds to meet sales commitments in the first six months. As well, CWB storage and interest revenue is down due to lower inventory levels. Management believes that margins will strengthen through the remainder of the year but will remain approximately 10% to 15% behind the \$20 to \$22 average margin per tonne that is typical in a normal year.

EBITDA from the Grain Handling and Marketing segment for the quarter was \$8.0 million, which compares to \$19.8 million of EBITDA generated in the second quarter of fiscal 2004. On a year-to-date basis EBITDA was \$9.5 million (includes \$1.6 million of one-time items) compared to \$32.5 million (includes \$6.5 million of one-time items). After excluding all one-time items, EBITDA for the six months declined by approximately \$18.1 million. EBIT for the quarter was \$5.1 million compared to \$17.5 million last year, and \$4.0 million for the six months compared to \$27.8 million in the first half of 2004.

### **Agri-products**

The Pool's Agri-products segment generated a 14% increase in sales during the second quarter of 2005, driven by increased fertilizer demand. Because of the late harvest in the fall of 2004, fertilizer applications in the first quarter were slow. However, during the second quarter, farmers were able to apply significant amounts of fertilizer post harvest. On a year-to-date basis, the Agri-products segment generated \$127.4 million in sales, up from the \$125.0 million in the first six months of 2004. This increase was driven by more fertilizer sales and to a lesser extent an increase in the sale of seed. The second quarter is typically the slowest period for crop protection product sales as most of those inputs are purchased in the spring.

EBITDA for the quarter more than offset the first quarter loss. EBITDA was \$5.4 million, which compares to \$4.0 million in the second quarter last year. Year-to-date Agri-products EBITDA was \$2.0 million, about double the EBITDA generated in the first six months of 2004. EBIT for the quarter was \$2.8 million up from \$1.7 million in the second quarter last year. On a year-to-date basis, EBIT was a loss of \$3.2 million versus a loss of \$3.7 million. Because of the seasonality of the business, the majority of the earnings in this segment are recorded in the fourth quarter given the significance of the spring selling season on earnings and the fixed cost nature of the Pool's expansive Western Canada retail operation.

"The new management team driving our Agri-products segment has been performing well and is implementing new business strategies that are allowing this essential core operation to gain momentum in the marketplace", says CEO Schmidt. "We are excited with their progress."

### **Agri-food Processing**

The Agri-food Processing segment generated sales for the quarter of \$30.0 million compared to \$26.1 million in sales during the second quarter of 2004. On a year-to-date basis, sales were up 6% to \$61.1 million versus \$57.3 million in the previous year. Strong demand for whole oat flour and finished products through Can-Oat produced sales that were slightly ahead of last year. Prairie Malt sales were up 24% compared to the previous year's period when the company experienced abnormally low sales because of poor crop quality. This year, additional sales were also generated in the Japanese and North American markets.

Segment EBITDA for the quarter was \$5.1 million just slightly below the \$5.6 million earning in the second quarter of 2004. On a year-to-date basis, EBITDA was \$8.9 million compared to \$9.2 million for the first six months of 2004. Both Prairie Malt and Can-Oat generated similar EBITDA relative to last year's first six months. Segment EBIT for the second quarter was \$3.8 million compared to \$4.4 million and on a year-to-date basis was \$6.4 million compared to \$6.6 million in 2004.

### **Outlook**

The Pool's grain shipments for fiscal 2005 are expected to exceed 2004 levels, the extent to which will be dependent on a number of factors including grain prices, exports and the potential for a good crop next year. If grain prices remain low, farmers may choose to hold back a portion of their crop in an effort to blend it with a higher quality crop next year. However, if prospects for the next year's crop are good, farmers will also have to ensure they have adequate storage on-farm, which would force grain into the marketplace during the spring and early summer months. The ability to secure export demand for lower quality grains and oilseeds for the remainder of the year will also be key to 2005 volumes.

For the Pool's Agri-products business, current moisture conditions are encouraging for the spring selling season. Fertilizer sales are expected to be brisk in the spring if moisture conditions hold. There is also potential for a good crop protection products sales season given poor fall weed control. However, the Pool's Agri-products business is highly seasonal and its results remain dependent upon farmers' seeding intentions and good growing conditions throughout the season.

**SASKATCHEWAN WHEAT POOL  
CONSOLIDATED BALANCE SHEETS**

(in thousands) <b>AS AT</b>	<b>January 31 2005</b>	<b>January 31 2004</b>	<b>July 31 2004</b>
	(unaudited)	(unaudited)	(audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 4,209	\$ 84	\$ 17,169
Cash in trust	30,695	19,904	1,176
Short-term investments	34,675	24,382	25,999
Accounts receivable	110,280	151,998	164,234
Inventories	162,854	155,078	104,887
Prepaid expenses and deposits	21,735	16,551	9,810
Future income taxes	3,054	1,180	1,198
	<u>367,502</u>	<u>369,177</u>	<u>324,473</u>
<b>Investments</b>	5,166	5,005	5,051
<b>Property, Plant and Equipment</b>	260,303	273,791	266,842
<b>Other Long-Term Assets</b>	7,344	5,830	8,219
<b>Future Income Taxes</b>	95,565	80,324	95,565
	<u>\$ 735,880</u>	<u>\$ 734,127</u>	<u>\$ 700,150</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Bank indebtedness	\$ 6,567	\$ 9,567	\$ 29,805
Short-term borrowings	19,284	66,827	1,501
Members' demand loans	20,285	13,757	18,691
Members' Class A shares	1,774	1,787	1,783
Accounts payable and accrued liabilities	211,322	181,352	150,745
Long-term debt due within one year	9,493	6,195	7,893
	<u>268,725</u>	<u>279,485</u>	<u>210,418</u>
<b>Long-Term Debt</b>	252,338	261,004	251,930
<b>Other Long-Term Liabilities</b>	34,972	38,161	40,980
<b>Future Income Taxes</b>	5,455	7,240	5,944
	<u>561,490</u>	<u>585,890</u>	<u>509,272</u>
<b>Shareholders' Equity</b>			
Share capital	85,548	74,069	81,287
Contributed surplus	212	140	177
Convertible Subordinated Notes - equity component	134,553	126,084	128,635
Retained earnings (deficit)	(45,923)	(52,056)	(19,221)
	<u>174,390</u>	<u>148,237</u>	<u>190,878</u>
	<u>\$ 735,880</u>	<u>\$ 734,127</u>	<u>\$ 700,150</u>

**SASKATCHEWAN WHEAT POOL**  
**CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (DEFICIT)**

(in thousands)

FOR THE PERIODS ENDED (unaudited)	Three Months January 31 2005	Three Months January 31 2004 (restated)	Six Months January 31 2005	Six Months January 31 2004 (restated)
<b>Sales and Other Operating Revenues</b>	\$ 322,283	\$ 326,248	\$ 550,989	\$ 609,633
<b>Cost of Sales and Expenses</b>				
Cost of sales and operating expenses	295,827	288,946	514,540	551,292
Selling and administrative expenses	12,480	11,844	24,563	23,862
Amortization	6,838	5,971	13,277	12,003
	315,145	306,761	552,380	587,157
<b>Earnings (Loss) Before Interest and Taxes</b>	7,138	19,487	(1,391)	22,476
Interest expense	8,706	9,241	18,061	19,417
<b>(Loss) Earnings Before Corporate Taxes</b>	(1,568)	10,246	(19,452)	3,059
Corporate taxes (expense) recovery	675	(756)	2,929	(688)
<b>Net (Loss) Earnings From Continuing Operations</b>	(893)	9,490	(16,523)	2,371
<b>Net Loss From Discontinued Operations</b>	-	(14,279)	-	(16,966)
<b>Net Loss</b>	(893)	(4,789)	(16,523)	(14,595)
<b>Retained Earnings (Deficit), Beginning of Period</b>	(39,864)	(42,223)	(19,221)	(27,388)
Accretion of equity component of Convertible Subordinated Notes	(5,166)	(5,044)	(10,179)	(10,073)
<b>Retained Earnings (Deficit), End of Period</b>	\$ (45,923)	\$ (52,056)	\$ (45,923)	\$ (52,056)
<b>Basic and Diluted (Loss) Earnings Per Share</b>				
<b>From Continuing Operations</b>	\$ (0.03)	\$ 0.02	\$ (0.12)	\$ (0.04)
<b>Net Loss</b>	\$ (0.03)	\$ (0.05)	\$ (0.12)	\$ (0.13)

**SASKATCHEWAN WHEAT POOL  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

FOR THE PERIODS ENDED (unaudited)	Three Months January 31 2005	Three Months January 31 2004 (restated)	Six Months January 31 2005	Six Months January 31 2004 (restated)
<b>Cash From (Used in) Operating Activities</b>				
Net (loss) earnings from continuing operations	\$ (893)	\$ 9,490	\$ (16,523)	\$ 2,371
Add (deduct) items not involving cash				
Amortization	6,838	5,971	13,277	12,003
Future income taxes expense (recovery)	(460)	111	(2,345)	131
Pension	538	366	1,072	1,147
Interest accretion	2,979	2,574	5,851	5,056
Other items	(209)	(1,306)	(671)	(960)
<b>Cash flow from continuing operations</b>	<b>8,793</b>	<b>17,206</b>	<b>661</b>	<b>19,748</b>
Changes in non-cash working capital items				
Accounts receivable	53,567	17,737	54,197	68,470
Inventories	(16,452)	(21,264)	(57,967)	(40,669)
Accounts payable	1,245	(24,225)	54,536	16,044
Prepaid expenses and deposits	(6,058)	(4,821)	(11,834)	(7,732)
<b>Changes in non-cash working capital - continuing operations</b>	<b>32,302</b>	<b>(32,573)</b>	<b>38,932</b>	<b>36,113</b>
Cash from (used in) operating activities - continuing operations	41,095	(15,367)	39,593	55,861
Cash used in operating activities - discontinued operations	-	(1,859)	-	(1,303)
<b>Cash from (used in) operating activities</b>	<b>41,095</b>	<b>(17,226)</b>	<b>39,593</b>	<b>54,558</b>
<b>Cash From (Used in) Financing Activities</b>				
Repayment of long-term debt	(1,325)	(1,920)	(3,843)	(3,754)
Proceeds (repayment) of short-term borrowings	18,817	27,907	17,783	(33,270)
Repayment of other long-term liabilities, net	(4)	(2,246)	(512)	(3,173)
Proceeds of members' demand loans	2,229	3,349	1,594	4,592
Repayment of members' Class A shares	(8)	(3)	(9)	(4)
Cash used in discontinued operations	-	(114)	-	(494)
<b>Cash from (used in) financing activities</b>	<b>19,709</b>	<b>26,973</b>	<b>15,013</b>	<b>(36,103)</b>
<b>Cash From (Used in) Investing Activities</b>				
Property, plant and equipment expenditures	(2,771)	(2,050)	(6,675)	(3,564)
Proceeds on sale of property, plant and equipment	203	435	967	971
Increase in cash in trust	(28,155)	(19,365)	(29,519)	(19,417)
Increase in investments	(191)	-	(173)	-
Increase in other long-term assets	(16)	(168)	(252)	(360)
Cash provided by (used in) discontinued operations	-	121	-	(491)
<b>Cash used in investing activities</b>	<b>(30,930)</b>	<b>(21,027)</b>	<b>(35,652)</b>	<b>(22,861)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>29,874</b>	<b>(11,280)</b>	<b>18,954</b>	<b>(4,406)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>2,443</b>	<b>26,179</b>	<b>13,363</b>	<b>19,305</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 32,317</b>	<b>\$ 14,899</b>	<b>\$ 32,317</b>	<b>\$ 14,899</b>

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

Supplemental disclosure of cash (paid) recovered during the period from continuing operations:

Interest paid	\$ (6,184)	\$ (7,173)	\$ (12,388)	\$ (14,733)
Income taxes recovered (paid), net	\$ 1,651	\$ (3,044)	\$ 713	\$ (3,670)

**SASKATCHEWAN WHEAT POOL  
SEGMENTED FINANCIAL INFORMATION  
FOR THE PERIOD ENDED JANUARY 31, 2005  
(Unaudited and in thousands)**

	Three Months Ended January 31 2005	Three Months Ended January 31 2004	Six Months Ended January 31 2005	Six Months Ended January 31 2004
<b>SALES</b>		(restated)		(restated)
Grain Handling and Marketing	\$ 221,420	\$ 238,933	\$ 370,200	\$ 438,605
Less: Sales to Discontinued Operations	-	(1,900)	-	(4,136)
Grain Handling and Marketing - Restated	221,420	237,033	370,200	434,469
Agri-products	75,364	65,957	127,378	125,026
Agri-food Processing	30,054	26,098	61,056	57,335
Intersegment sales	(4,555)	(2,840)	(7,645)	(7,197)
	<b>\$ 322,283</b>	<b>\$ 326,248</b>	<b>\$ 550,989</b>	<b>\$ 609,633</b>

**SASKATCHEWAN WHEAT POOL  
SEGMENTED FINANCIAL INFORMATION  
FOR THE PERIOD ENDING JANUARY 31  
(Unaudited and in thousands)**

**Segment Earnings - Three Months**

	January 31, 2005			(restated) January 31, 2004		
	EBITDA	Amortization	EBIT	EBITDA	Amortization	EBIT
Grain Handling and Marketing	\$ 7,995	\$ (2,906)	\$ 5,089	\$ 19,813	\$ (2,340)	\$ 17,473
Agri-products	5,424	(2,647)	2,777	4,042	(2,360)	1,682
Agri-food Processing	5,122	(1,285)	3,837	5,628	(1,271)	4,357
<b>Segment Results</b>	<b>18,541</b>	<b>(6,838)</b>	<b>11,703</b>	<b>29,483</b>	<b>(5,971)</b>	<b>23,512</b>
Corporate expenses	(4,565)	-	(4,565)	(4,025)	-	(4,025)
<b>Per Financial Statements</b>	<b>\$ 13,976</b>	<b>\$ (6,838)</b>	<b>\$ 7,138</b>	<b>\$ 25,458</b>	<b>\$ (5,971)</b>	<b>\$ 19,487</b>

**Segment Earnings - Year to Date**

	January 31, 2005			(restated) January 31, 2004		
	EBITDA	Amortization	EBIT	EBITDA	Amortization	EBIT
Grain Handling and Marketing	\$ 9,511	\$ (5,488)	\$ 4,023	\$ 32,498	\$ (4,680)	\$ 27,818
Agri-products	2,005	(5,218)	(3,213)	1,025	(4,764)	(3,739)
Agri-food Processing	8,935	(2,571)	6,364	9,154	(2,559)	6,595
<b>Segment Results</b>	<b>20,451</b>	<b>(13,277)</b>	<b>7,174</b>	<b>42,677</b>	<b>(12,003)</b>	<b>30,674</b>
Corporate expenses	(8,565)	-	(8,565)	(8,198)	-	(8,198)
<b>Per Financial Statements</b>	<b>\$ 11,886</b>	<b>\$ (13,277)</b>	<b>\$ (1,391)</b>	<b>\$ 34,479</b>	<b>\$ (12,003)</b>	<b>\$ 22,476</b>

## **Forward Looking Information**

Certain statements in this Press Release are forward-looking and reflect the Pool's expectations regarding future results of operations, financial condition and achievements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and achievements of the Pool to be materially different from any future results, performance and achievements expressed or implied by those forward-looking statements. A number of factors could cause actual results to differ materially from expectations, including weather conditions, 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 fertilizers and crop protection products; the extent of the company's financial leverage and funding requirements; credit risk; foreign exchange risk; 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; competitive developments in connection with the Pool's grain handling, agri-products, agri-food processing businesses and other operations; and environmental risks and unanticipated expenditures relating to environmental and other matters.

Saskatchewan Wheat Pool is a publicly traded agri-business headquartered in Regina, Saskatchewan. Anchored by a Prairie-wide grain handling and agri-products marketing network, the Pool channels Prairie production to end-use markets in North America and around the world. These operations are complemented by agri-food processing and strategic alliances, which allow the Pool to leverage its pivotal position between Prairie farmers and destination customers. The Pool's Class B shares are listed on the Toronto Stock Exchange under the symbol SWP.NV.B.

**<http://www.swp.com>**

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