



**Saskatchewan Wheat Pool Inc.**

**For Immediate Release**

March 14, 2006

Regina, Saskatchewan

Listed: SWP:TSX

**Grain Handling and Marketing Drives Pool's Second Quarter Results**

Saskatchewan Wheat Pool Inc. today announced its financial results for the period ending January 31, 2006, which highlighted improved operating performance by the company's Grain Handling and Marketing segment.

- The Pool's grain and oilseed shipments for the quarter were 2.1 million tonnes, up approximately 18% over the second quarter of 2005 and elevating the six-month total to 3.9 million tonnes, which compares to 3.3 million tonnes a year earlier.
- Contributions on an EBITDA basis from the Grain Handling and Marketing segment for the quarter were \$12.1 million, up 71% from the \$7.1 million (excluding one-time items) earned in the previous year's quarter.
- The Pool's consolidated market share was up a full percentage point to 24% from 23% last year as a result of the larger crop in Saskatchewan.
- Volumes through the Pool's Vancouver port terminal were up 53% in the first six months of 2006 versus the same period a year ago, reflecting a strong non-Board export program and the impact of efficiency improvements associated with the Pool's joint venture operating arrangement with James Richardson International Ltd. (JRI).

On a consolidated basis, sales and other operating revenues for the second quarter of fiscal 2006 were \$368 million, 14.1% above the \$322 million generated in the second quarter of fiscal 2005. All three business segments recorded stronger sales for the three-month period.

For the first six months of fiscal 2006, sales totaled \$642 million, up from \$551 million in the first six months of 2005. The increase reflects stronger grain shipments, partially offset by lower non-Board commodity prices, higher sales from the Pool's retail operations and its joint venture affiliate, Western Co-operative Fertilizers Ltd., and sales improvements through Can-Oat Milling. These improvements were slightly offset by lower sales volumes through the Pool's affiliate Prairie Malt Limited due to the timing of customer shipments coupled with lower selling prices for malt products.

EBITDA (earnings from continuing operations before interest, taxes, and amortization) in the second quarter of fiscal 2006 was \$11.0 million compared to \$14.0 million in the second quarter of last year. The \$3.0 million variance quarter-over-quarter includes \$0.9 million in positive one-time items recorded in last year's second quarter and reflects a \$5.4 million decrease in contributions from the Agri-products segment, \$1.7 million in additional corporate costs, partially offset by a \$5.0 million increase in EBITDA from the Grain Handling and Marketing segment on a comparable basis. The Agri-food Processing segment's contributions for the quarter were on par with the previous year.

On a year-to-date basis EBITDA was \$11.1 million versus \$11.9 million for the first six months of 2005. EBITDA improved by 7.7% excluding positive one-time items of \$1.6 million in last year's results. The Grain Handling and Marketing segment more than doubled their EBITDA and the Agri-food Processing segment recorded a 15.7% improvement in overall contributions. These positive results were partially offset by a \$6.8 million decrease in Agri-products contributions and a \$3.2 million increase in corporate costs.

The Pool's President and CEO, Mayo Schmidt said, "Volumes are one of the key drivers in the grain business. Even though we have seen sluggish Canadian Wheat Board wheat exports to date, we have been able to develop our non-Board export program because of the larger than average crops that were produced in Saskatchewan and Alberta this past fall." Schmidt added, "On the Agri-products side, much of the variance we have experienced at the retail level is believed to be timing and we still see good potential for their peak season, which occurs between April and June".

Earnings from continuing operations before interest and taxes (EBIT), for the second quarter of fiscal 2006 was \$4.1 million, which compares to \$7.1 million last year (\$6.2 million excluding one-time items). For the six months, EBIT was a loss of \$2.7 million versus a loss of \$1.4 million (loss of \$3.0 million after excluding one-time items) recorded for the same period a year ago.

Interest expense for the quarter was \$6.0 million (including \$1.0 million non-cash) compared to \$8.7 million (including \$3.0 million non-cash) in the three months ended January 31, 2005. Interest for the six months was down 34.0% to \$11.9 million from \$18.1 million. Non-cash interest of \$2.0 million and \$5.9 million were included in each respective period. The cash interest reduction reflects lower short-term borrowings and lower term debt levels quarter-over-quarter, the latter being primarily offset by an increase from 8% to 12% in the annual interest rate paid on \$150 million of Senior Subordinated Notes.

The loss from continuing operations for the quarter was \$2.0 million, an improvement of approximately \$0.4 million compared to last year's second quarter after excluding one-time positive items in that quarter (loss of \$0.9 million including \$1.5 million in one-time items). On a year-to-date basis, the Pool cut its loss from continuing operations to \$9.6 million compared to last year's first six months, when the loss from continuing operations was \$19.3 million or \$16.5 million including one-time items of \$2.8 million.

Net earnings for the quarter were \$2.9 million compared to a second quarter loss of \$0.9 million last year. The net earnings for this year's quarter include a \$4.9 million net recovery from discontinued operations related to filings through the Canadian Agricultural Income Stabilization (CAIS) Program for a portion of the operating losses incurred by discontinued operations in prior years. The net loss for the six-month period was \$4.7 million versus a loss of \$16.5 million for the same period a year ago.

The following table provides the per share information for the comparable periods:

|   | <u>Second Quarter</u> |             | <u>Year-To-Date</u> |             |
|---|-----------------------|-------------|---------------------|-------------|
|   | <b>2006</b>           | <b>2005</b> | <b>2006</b>         | <b>2005</b> |
| Net loss from continuing operations, before accretion | (0.02)                | (0.07)      | (0.12)              | (1.37)      |
| Net loss from continuing operations                   | (0.02)                | (0.50)      | (0.12)              | (2.21)      |
| Net earnings from discontinued operations             | 0.06                  | -           | 0.06                | -           |
| Net earnings/loss                                     | 0.04                  | (0.50)      | (0.06)              | (2.21)      |
| Number of shares outstanding                          | 81,834                | 12,140      | 81,834              | 12,140      |
| Weighted average shares outstanding                   | 81,834                | 12,117      | 81,834              | 12,058      |

Cash flow from continuing operations was \$1.9 million compared to \$0.7 million for the six months ending January 2005. Higher earning contributions from Grain Handling and Marketing and Can-Oat Milling were partially offset by reduced contributions from Agri-products and higher corporate costs. The majority of the Pool's cash flow is generated in the final three months of its fiscal year, which corresponds with the farmers' planting season in the spring and early summer months.

Cash flow from discontinued operations was \$9.0 million to January 31, 2006, and reflects payments from CAIS, a joint federal/provincial risk management program. The payments relate to the Pool's investment in hog operations, which the company exited prior to July 31, 2004.

The Pool's total debt declined from \$310 million at January 31, 2005 to \$198 million at January 31, 2006 and its total debt-to-equity ratio improved to 34:66 from 64:36. Long-term debt-to-equity was 29:71 at January 31, 2006 versus 60:40 on January 31, 2005. The improvement in the company's financial position and related ratios is primarily due to the recapitalization and the rights offering, which were completed during fiscal 2005.

## Segment Results

### *Grain Handling and Marketing*

Quarterly grain shipments of 2.1 million tonnes were up approximately 18.1% over the 1.8 million shipped in the same three months last year. The Pool increased its non-Board grain and oilseed shipments by 30% quarter-over-quarter and moved more than double its volume of Canadian Wheat Board (CWB) barley shipments to offset a 13% decline in its CWB wheat shipments for the period.

On a year-to-date basis, shipments were up 17.1%, almost entirely as a result of the Pool's strong non-Board shipping program that was executed to offset sluggish CWB industry movement. Total shipments reached 3.9 million tonnes in the first six months, which compares to 3.3 million tonnes a year earlier. Approximately 56% of the Pool's shipments were CWB grains, whereas last year during the first two quarters, CWB shipments represented 64% of the total.

To date, exports of wheat through the CWB have lagged behind 2005 and the Pool has offset these delays by executing on its export program for non-Board commodities like canola and peas. The CWB has been able to develop a strong feed barley program based on positive world feed barley markets, which has served to offset lower year-to-date wheat sales.

Producer deliveries into the Pool's primary elevator network were up 11.1% for the quarter to 2.0 million tonnes, bringing the year-to-date total to 4.0 million tonnes compared to 3.4 million tonnes in the first six months of last year.

Total port terminal volumes for the Pool's Vancouver and Thunder Bay export facilities were 1.3 million tonnes for the quarter, up 14.8% from the 1.1 million tonnes shipped a year earlier. On a year-to-date basis, Vancouver and Thunder Bay receipts were 2.5 million tonnes versus 2.0 million tonnes.

### **Grain Handling and Marketing Volumes For the Three and Six Months ended January 31** (in thousands of metric tonnes)

|                                  | <b>3 Months<br/>F2006</b> | <b>3 Months<br/>F2005</b> | <b>6 Months<br/>F2006</b> | <b>6 Months<br/>F2005</b> | <b>YTD<br/>Increase<br/>(Decrease)</b> |
|----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|--|
| Primary elevator receipts        | 2,031                     | 1,827                     | 3,953                     | 3,439                     | 15%                                    |
| Primary elevator shipments       |                           |                           |                           |                           |  |
| Board grains                     | 1,197                     | 1,086                     | 2,196                     | 2,135                     | 3%                                     |
| Non-Board grains and oilseeds    | 940                       | 723                       | 1,695                     | 1,189                     | 43%                                    |
| Total primary elevator shipments | 2,137                     | 1,809                     | 3,891                     | 3,324                     | 17%                                    |
| Terminal operations              |                           |                           |                           |                           |  |
| Vancouver                        | 964                       | 739                       | 1,794                     | 1,175                     | 53%                                    |
| Thunder Bay                      | 305                       | 366                       | 679                       | 844                       | (20)%                                  |
|                                  | 1,269                     | 1,105                     | 2,473                     | 2,019                     | 23%                                    |
| Share of affiliates              | 320                       | 179                       | 449                       | 288                       | 56%                                    |
| Total terminal operations        | 1,589                     | 1,284                     | 2,922                     | 2,307                     | 27%                                    |

Segment EBITDA for the quarter was \$12.1 million, which compares to \$8.0 million (or \$7.1 million excluding one-time items) recorded in the second quarter of last year. Increased shipments and better margins were the primary factors for the improvement. On a year-to-date basis, EBITDA was \$17.4 million for the first six months of 2006 versus \$9.5 million for the first six months of 2005 (or \$7.9 million excluding one-time items). This year's total includes \$3.2 million of grain volume

insurance costs that were recorded in its first quarter of the year. Last year, the Pool did not have a grain volume insurance program in place.

During the quarter, the Pool renewed its grain volume insurance for the 2007 fiscal year at a similar cost to its 2006 program. The coverage provides a maximum payment of \$30 million with partial payments available should prairie production decline by approximately 20%. The program is weighted regionally to reflect the Pool's market share in each province. The package also includes a small three-year component, which solidifies the Pool's ongoing commitment to this important risk management strategy.

Segment EBIT for the quarter was \$9.2 million compared to EBIT of \$5.1 million earned in the second quarter of 2005 (\$4.2 million excluding one time items). For the six months ended January 31, 2006, EBIT was \$11.6 million versus \$4.0 million (\$2.4 million excluding one-time items).

### **Agri-products**

The Pool's Agri-products segment generated sales of \$88.7 million compared to \$75.4 million in the second quarter of fiscal 2005. Sales through the Pool's retail operations were similar to the previous year's period with the majority of the sales being fertilizer products as opposed to crop protection or seed products, which are more seasonal. Western Co-operative Fertilizer Ltd. (WCFL) sales were 30.3% higher than the previous year's quarter primarily as a result of higher selling prices.

For the six-month period, segment sales totaled \$143.2 million, a 12.4% increase from the \$127.4 million in sales generated in the first half of 2005. The Pool's retail operation drove this improvement with a 25.8% sales increase, while WCFL sales were up 2.4%.

A breakdown of consolidated sales and operating revenues for the Agri-products segment follows.

#### **Sales and Other Operating Revenues – Agri-products Segment For the Three Month and Six Month periods ended January 31**

| <b>\$ Millions</b>       | <b>Second Quarter</b> |               | <b>Year-To-Date</b> |                |
|--------------------------|-----------------------|---------------|---------------------|----------------|
|                          | <b>2006</b>           | <b>2005</b>   | <b>2006</b>         | <b>2005</b>    |
| Fertilizer products      | \$83.5                | \$69.0        | \$121.5             | \$107.6        |
| Crop protection products | 0.3                   | 0.4           | 9.7                 | 8.1            |
| Other                    | 4.9                   | 6.0           | 12.0                | 11.7           |
| <b>Total</b>             | <b>\$88.7</b>         | <b>\$75.4</b> | <b>\$143.2</b>      | <b>\$127.4</b> |

EBITDA from the Agri-products segment for the quarter was nil compared to earnings of \$5.4 million in the second quarter last year. Sales improvements and a \$0.9 million increase in research and development revenue was more than offset by a higher bad debt allowance due to extended terms the Pool granted customers for their 2004 crop inputs due to the severe frost that occurred. Collections related to the 2005 crop year are ahead of last year at this time. Margins were also lower than the previous year's quarter reflecting a return to typical producer buying behaviour for seed and the timing of crop protection supplier rebates, coupled with lower margins on fertilizer due to competitive factors and higher energy prices.

On a year-to-date basis, EBITDA was a loss of \$4.8 million, which compares to earnings of \$2.0 million recorded in last year's first six months. EBIT was a loss of \$10.2 million versus a loss of \$3.2 million last year. The higher bad debt allowance mentioned earlier was the primary factor for the decrease in contributions in the first six months. In addition, increased competition, lower supplier rebates and higher distribution costs were factors contributing to the reduced EBITDA. In the fertilizer business, high natural gas prices in the first six months, competitive pricing from other fertilizer manufacturers and increased retail competition lowered overall margins on that product line.

## **Agri-food Processing**

The Agri-food Processing segment, which includes wholly owned Can-Oat Milling and 42.4% owned Prairie Malt Limited, generated second quarter sales of \$30.8 million, up 2.5% from the \$30.0 million generated in the second quarter of 2005. Can-Oat Milling sales were \$22.7 million versus \$21.5 million, while Prairie Malt sales were \$8.1 million down from \$8.5 million in last year's second quarter. On a year-to-date basis, total segment sales were \$60.3 million, down slightly from \$61.0 million a year earlier. Can-Oat's sales grew by 6.8% to \$46.0 million from \$43.0 million, while Prairie Malt's sales were down 20.7% to \$14.3 million from \$18.0 million.

The improvement at Can-Oat reflects increased sales of finished products, including oat flakes, bran, and low bran flour. Cereal and breakfast bar manufacturers have switched to whole grains in response to a growing health-conscious consumer market, a positive factor influencing demand for Can-Oat products.

Sales volumes through Prairie Malt Limited improved quarter-over-quarter, however sales values remained lower than the previous year's period. Year-to-date sales continued to reflect lower volumes due to the timing of customer shipments coupled with the lower sales values previously mentioned.

Segment EBITDA for the quarter was on par with the second quarter of 2005 at \$5.1 million. On a year-to-date basis, EBITDA was \$10.3 million, up 15.7% from the same period a year ago when the segment earned \$8.9 million. Can-Oat's EBITDA was approximately 30.5% ahead of last year's first six months. Strong margins resulting from a change in product mix to higher valued products coupled with better yield results reflecting improvements in the quality of oat supplies this year were the primary factors. Prairie Malt's contribution was down because of lower sales and lower margins that are being impacted by excess industry capacity and the strengthening Canadian dollar.

EBIT for the quarter was \$3.9 million slightly ahead of the \$3.8 million generated in the second quarter last year, and on a year-to-date basis was \$7.8 million versus \$6.4 million for the previous year's period.

Corporate costs for the quarter were \$6.2 million versus \$4.6 million in the second quarter of fiscal 2005. On a year-to-date basis, costs were \$11.8 million, up from \$8.6 million a year earlier. Approximately \$1.3 million of the increase was associated with six months of provincial capital taxes. The Pool now pays Saskatchewan capital taxes as a result of continuing under the *Canada Business Corporations Act* in March of 2005. The remainder primarily reflects additional wages and benefits.

## **Industry Outlook**

As the Pool looks forward, industry exports through licensed facilities are expected to increase to 24.4 mmt, an increase of 18%, based on the CWB's projected program of 16.3 mmt and Agriculture and Agri-food Canada (AAFC) estimates of about 8.1 mmt of non-Board exports. The following table reflects the CWB and AAFC estimates adjusted for products and other non-licensed exports.

| <b>(mmt)</b>                | <b>Fiscal 2005 Actual</b> | <b>Fiscal 2006 Estimate</b> |
|-----------------------------|---------------------------|-----------------------------|
| CWB Grains                  | 14.8                      | 16.3                        |
| Non-Board Grains & Oilseeds | 5.8                       | 8.1                         |
| Total                       | 20.6                      | 24.4                        |

The ability for the industry to reach this target will be largely dependent upon the CWB's ability to meet its export target, particularly on wheat exports, which have been below target to date. In addition, the durum market is sluggish because of ample global supplies. For non-Board exports, AAFC estimates canola exports to rise by 32% in fiscal 2006 to 4.5 million tonnes from 3.4 million tonnes in 2005.

Even so, the industry predicts significant carryover into fiscal 2007. In fact, in its December 31, 2005 Stock Report, which was released on February 1, 2006, Statistics Canada estimated that on-farm stocks are well above average for many commodities with record levels of both durum and canola. The Pool believes that on-farm stocks of the six major grains in Western Canada could reach 11 mmt by year-end, which would be up considerably from the 7.7 mmt carried over into 2006 and more than double the 4.8 mmt average carryover. This should provide additional volume for fiscal 2007 and depending on upcoming new crop quality, could offer more blending opportunities than are currently available this fiscal year.

Margins for the Grain Handling and Marketing segment, while expected to exceed last year, will be influenced by limited blending opportunities of lower quality wheat and lower than normal malt barley selections (70% of normal) caused by rain at harvest time. Another factor that is now believed to potentially impact margins for fiscal 2006 is the mix between CWB and non-Board commodities within the Pool's shipments. Last year, the Pool's CWB/non-Board mix was 64/36. We now believe that the Pool's mix will more closely align with historical averages of 60/40. Given the lag in CWB wheat shipments to date, and the fact that CWB grains tend to provide higher margin opportunity, the change in mix could negatively impact overall margins for the year. Volumes are still expected to exceed last year's levels given the larger export program.

For Agri-products, commodity prices remain low for the second consecutive year and we expect that there will be significant carryovers of canola and durum into next fiscal year. Because of these factors, we expect some hesitancy among producers in finalizing their seeding intentions. Special crops and oilseed products such as canola typically demand more crop inputs and are therefore important commodities for the Pool's agri-products business. The Pool will be focusing its marketing programs on proprietary wheat and canola varieties that offer high yields, superior quality and end-use marketing demand to support its agri-products spring selling season.

The high yields produced with the 2005 crop and generally good subsoil moisture conditions are positive signals for fertilizer sales for the remainder of the year. Crop mix is also a factor that influences demand. For the crop protection product season, approximately 85% of annual sales occur in the fourth quarter and the Pool has re-positioned its distribution model to maximize product-to-farm movement through this critical period.

Positive industry dynamics in the oat ingredient market and Can-Oat's strong market position are expected to support another solid year for the oat miller. The opportunity for earnings growth is expected with the completion of Can-Oat's expansion, announced on December 13, 2005, which will add another 50,000 metric tonnes of milling capacity to its Portage la Prairie plant, bringing total milling capacity to over 340,000 metric tonnes per year. The expansion, estimated to cost \$12 million, will include the addition of primary processing capacity, flaking capacity, high-speed bagging line, on-site storage, and in-house workspace. Construction is slated to begin this spring, with the new capacity coming on stream by the spring of 2007.

## **QUARTERLY AND ANNUAL MANAGEMENT'S DISCUSSION & ANALYSIS**

The Pool's Management's Discussion & Analysis relating to the second quarter and year-to-date results for the period ending January 31, 2006 should be read in conjunction with this press release and the Pool's Management's Discussion & Analysis for its year ended July 31, 2005, which is included at pages 35 to 64 of the Pool's 2005 Annual Report. This information will be available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Pool's website [www.swp.com](http://www.swp.com).

## **FORWARD-LOOKING INFORMATION**

Certain statements in this press release are forward-looking statements and reflect the Pool's expectations regarding future results of operations, financial condition and achievements. All statements that address activities, events or developments that the Pool 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 of the Pool and such matters, are forward-looking

statements. In addition, the words “believes”, “intends”, “anticipates”, “expects”, “estimates” 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 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, but not limited to, those factors discussed under the heading “Risk Factors” in the Pool’s Annual Information Form and in its Annual Report under the heading “Risk Management” Management’s Discussion & Analysis; 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 pesticides; the Pool’s dependence on key personnel; any labour disruptions; the Pool’s financial leverage and funding requirements; credit risk in respect of customers of the Pool; foreign exchange risk and counter party risks in connection with foreign exchange and commodity hedging programs; 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; and 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, and other operations; and environmental risks and unanticipated expenditures relating to environmental or other matters.

All of the forward-looking statements in this release are qualified by these cautionary statements and the other cautionary statements and factors contained herein and there can be no assurance that the developments or results anticipated by the Pool and its management will be realized or, even if substantially realized, that they will have the expected consequences for, or effects on, the Corporation. Although the Pool 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 document. In addition to other assumptions identified, assumptions have been made regarding, among other things: western Canadian and, in particular, Saskatchewan crop production and quality for the 2006 fiscal year 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; agricultural commodity prices; general financial conditions for western Canadian agricultural producers; demand for seed grain, fertilizer, chemicals and other agri-products by our customers; market share of grain deliveries and agri-product sales that will be achieved by the Pool; extent of customer defaults in connection with credit provided by the Pool or Farm Credit Canada in connection with agri-product purchases; demand for oat and malt barley products and market share of sales of these products that will be achieved by the Pool’s subsidiaries; 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 Pool 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.

### **Non-GAAP Measures**

EBITDA (earnings from continuing operations before interest, taxes, and amortization) and EBIT (earnings from continuing operations before interest and taxes) are non-GAAP measures. Such measures do not have any standardized meanings prescribed by Canadian generally accepted accounting principles (GAAP) and are therefore unlikely to be comparable to similar measures presented by other corporations. These measures are intended to provide further insight with respect to the Pool’s financial results and to supplement its information on earnings (loss) as determined in accordance with GAAP.

EBITDA is used by management to assess the cash generated by continuing operations as it excludes depreciation and amortization, which are non-cash items. EBIT is a measure of earnings from continuing operations prior to debt service costs and taxes. These non-GAAP measures should not be considered in isolation to or as a substitute for GAAP measures such as (i) net income (loss), as an indicator of the company’s profitability and operating performance or (ii) cash flow from (or used in) continuing operations, as a measure of the company’s ability to generate cash.

**SASKATCHEWAN WHEAT POOL INC.  
CONSOLIDATED BALANCE SHEETS**

| (in thousands)<br><b>AS AT</b>                    | <b>January 31,<br/>2006</b> | <b>January 31,<br/>2005</b> | <b>July 31,<br/>2005</b> |
|---|-----------------------------|-----------------------------|--------------------------|
|   | (unaudited)                 | (unaudited)                 | (audited)                |
| <b>ASSETS</b>                                     |                             |                             |                          |
| <b>Current Assets</b>                             |                             |                             |                          |
| Cash  | \$ 24,113                   | \$ 4,209                    | \$ 2,074                 |
| Cash in trust                                     | 32,035                      | 30,695                      | 771                      |
| Short-term investments                            | 9,379                       | 34,675                      | 79,264                   |
| Accounts receivable                               | 128,406                     | 110,280                     | 127,102                  |
| Inventories                                       | 171,577                     | 162,854                     | 117,416                  |
| Prepaid expenses and deposits                     | 64,338                      | 21,735                      | 20,737                   |
| Future income taxes                               | 2,469                       | 3,054                       | 78                       |
|   | 432,317                     | 367,502                     | 347,442                  |
| <b>Investments</b>                                | 5,582                       | 5,166                       | 5,437                    |
| <b>Property, Plant and Equipment</b>              | 246,494                     | 260,303                     | 251,489                  |
| <b>Other Long-Term Assets</b>                     | 12,648                      | 7,344                       | 14,822                   |
| <b>Future Income Taxes</b>                        | 102,670                     | 95,565                      | 102,670                  |
|   | \$ 799,711                  | \$ 735,880                  | \$ 721,860               |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                             |                             |                          |
| <b>Current Liabilities</b>                        |                             |                             |                          |
| Bank indebtedness                                 | \$ 2,062                    | \$ 6,567                    | \$ 8,060                 |
| Short-term borrowings                             | 22,365                      | 19,284                      | 392                      |
| Members' demand loans                             | 20,028                      | 20,285                      | 21,476                   |
| Members' Class A shares                           | -                           | 1,774                       | -                        |
| Accounts payable and accrued liabilities          | 187,265                     | 211,322                     | 115,319                  |
| Long-term debt due within one year                | 9,757                       | 9,493                       | 5,461                    |
|   | 241,477                     | 268,725                     | 150,708                  |
| <b>Long-Term Debt</b>                             | 144,114                     | 252,338                     | 148,928                  |
| <b>Other Long-Term Liabilities</b>                | 34,342                      | 34,972                      | 37,424                   |
| <b>Future Income Taxes</b>                        | 3,213                       | 5,455                       | 3,559                    |
|   | 423,146                     | 561,490                     | 340,619                  |
| <b>Shareholders' Equity</b>                       |                             |                             |                          |
| Share capital                                     | 439,485                     | 85,548                      | 439,485                  |
| Contributed surplus                               | 276                         | 212                         | 243                      |
| Convertible Subordinated Notes - equity component | -                           | 134,553                     | -                        |
| Retained earnings (deficit)                       | (63,196)                    | (45,923)                    | (58,487)                 |
|   | 376,565                     | 174,390                     | 381,241                  |
|   | \$ 799,711                  | \$ 735,880                  | \$ 721,860               |

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

| (in thousands)<br>FOR THE PERIODS ENDED                         | Three Months<br>Ended January 31,<br>2006<br>(unaudited) | Three Months<br>Ended January 31,<br>2005<br>(unaudited) | Six Months<br>Ended January 31,<br>2006<br>(unaudited) | Six Months<br>Ended January 31,<br>2005<br>(unaudited) |
|---|--|--|--|--|
| <b>Sales and Other Operating Revenues</b>                       | \$ 367,725   | \$ 322,283   | \$ 641,682   | \$ 550,989   |
| <b>Cost of Sales and Expenses</b>                               |  |  |  |  |
| Cost of sales and operating expenses                            | 342,143  | 295,827  | 603,238  | 514,540  |
| Selling and administrative expenses                             | 14,543   | 12,480   | 27,371   | 24,563   |
| Amortization  | 6,960  | 6,838  | 13,728   | 13,277   |
|   | <u>363,646</u>   | <u>315,145</u>   | <u>644,337</u>   | <u>552,380</u>   |
| <b>Earnings (Loss) Before Interest and Taxes</b>                | 4,079  | 7,138  | (2,655)  | (1,391)  |
| Interest expense  | 5,970  | 8,706  | 11,921   | 18,061   |
| <b>Loss Before Corporate Taxes</b>                              | (1,891)  | (1,568)  | (14,576)   | (19,452)   |
| Corporate tax expense (recovery)                                | 85   | (675)  | (4,946)  | (2,929)  |
| <b>Loss From Continuing Operations</b>                          | (1,976)  | (893)  | (9,630)  | (16,523)   |
| <b>Net Recoveries From Discontinued Operations</b>              | 4,921  | -  | 4,921  | -  |
| <b>Net Earnings (Loss)</b>                                      | 2,945  | (893)  | (4,709)  | (16,523)   |
| <b>Retained Earnings (Deficit), Beginning of Period</b>         | (66,141)   | (39,864)   | (58,487)   | (19,221)   |
| Accretion of equity component of Convertible Subordinated Notes | -  | (5,166)  | -  | (10,179)   |
| <b>Retained Earnings (Deficit), End of Period</b>               | <u>\$ (63,196)</u>                                       | <u>\$ (45,923)</u>                                       | <u>\$ (63,196)</u>                                     | <u>\$ (45,923)</u>                                     |
| <b>Basic and Diluted Earnings (Loss) Per Share</b>              |  |  |  |  |
| <b>From Continuing Operations</b>                               | \$ (0.02)  | \$ (0.50)  | \$ (0.12)  | \$ (2.21)  |
| <b>Net Earnings (Loss)</b>                                      | <u>\$ 0.04</u>   | <u>\$ (0.50)</u>   | <u>\$ (0.06)</u>                                       | <u>\$ (2.21)</u>                                       |

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

| (in thousands)<br>FOR THE PERIODS ENDED  | Three Months<br>Ended January 31,<br>2006<br>(unaudited) | Three Months<br>Ended January 31,<br>2005<br>(unaudited) | Six Months<br>Ended January 31,<br>2006<br>(unaudited) | Six Months<br>Ended January 31,<br>2005<br>(unaudited) |
|--|--|--|--|--|
| <b>Cash From (Used in) Operating Activities</b>                                    |  |  |  |  |
| Loss from continuing operations  | \$ (1,976)   | \$ (893)   | \$ (9,630)   | \$ (16,523)  |
| Add (deduct) items not involving cash  |  |  |  |  |
| Amortization   | 6,960  | 6,838  | 13,728   | 13,277   |
| Future income tax recovery   | (327)  | (460)  | (5,566)  | (2,345)  |
| Pension  | 472  | 538  | 930  | 1,072  |
| Non-cash interest  | 1,008  | 2,979  | 1,995  | 5,851  |
| Other items  | 283  | (209)  | 400  | (671)  |
| Cash flow from continuing operations   | 6,420  | 8,793  | 1,857  | 661  |
| Changes in non-cash working capital items  |  |  |  |  |
| Accounts receivable  | 27,226   | 53,567   | (480)  | 54,197   |
| Inventories  | (21,974)   | (16,452)   | (54,161)   | (57,967)   |
| Accounts payable   | 6,714  | 1,245  | 68,384   | 54,536   |
| Prepaid expenses and deposits  | (26,017)   | (6,058)  | (43,601)   | (11,834)   |
| Changes in non-cash working capital - continuing operations                        | (14,051)   | 32,302   | (29,858)   | 38,932   |
| Cash (used in) from operating activities - continuing operations                   | (7,631)  | 41,095   | (28,001)   | 39,593   |
| Cash provided by discontinued operations   | 2,224  | -  | 8,955  | -  |
| Cash (used in) from operating activities   | (5,407)  | 41,095   | (19,046)   | 39,593   |
| <b>Cash From (Used in) Financing Activities</b>                                    |  |  |  |  |
| Repayment of long-term debt  | (1,106)  | (1,325)  | (1,737)  | (3,843)  |
| Proceeds from short-term borrowings  | 21,219   | 18,817   | 21,973   | 17,783   |
| Repayment of other long-term liabilities, net                                      | (1)  | (4)  | (168)  | (512)  |
| Proceeds from (repayment of) members' demand loans                                 | 258  | 2,229  | (1,448)  | 1,594  |
| Repayment of members' Class A shares   | -  | (8)  | -  | (9)  |
| Other items  | (452)  | -  | (463)  | -  |
| Cash from financing activities   | 19,918   | 19,709   | 18,157   | 15,013   |
| <b>Cash From (Used in) Investing Activities</b>                                    |  |  |  |  |
| Property, plant and equipment expenditures   | (4,455)  | (2,771)  | (8,153)  | (6,675)  |
| Proceeds on sale of property, plant and equipment                                  | 90   | 203  | 202  | 967  |
| Increase in cash in trust  | (27,523)   | (28,155)   | (31,264)   | (29,519)   |
| Decrease (increase) in investments   | 246  | (191)  | (143)  | (173)  |
| Increase in other long-term assets   | (345)  | (16)   | (1,601)  | (252)  |
| Cash used in investing activities  | (31,987)   | (30,930)   | (40,959)   | (35,652)   |
| <b>(Decrease) Increase in Cash and Cash Equivalents</b>                            | <b>(17,476)</b>  | <b>29,874</b>  | <b>(41,848)</b>  | <b>18,954</b>  |
| <b>Cash and Cash Equivalents, Beginning of Period</b>                              | <b>48,906</b>  | <b>2,443</b>   | <b>73,278</b>  | <b>13,363</b>  |
| <b>Cash and Cash Equivalents, End of Period</b>                                    | <b>\$ 31,430</b>   | <b>\$ 32,317</b>   | <b>\$ 31,430</b>                                       | <b>\$ 32,317</b>                                       |
| Cash and cash equivalents consist of:  |  |  |  |  |
| Cash   |  |  | \$ 24,113  | \$ 4,209   |
| Short-term investments   |  |  | 9,379  | 34,675   |
| Bank indebtedness  |  |  | (2,062)  | (6,567)  |
|  |  |  | <b>\$ 31,430</b>                                       | <b>\$ 32,317</b>                                       |
| Supplemental disclosure of cash paid during the period from continuing operations: |  |  |  |  |
| Interest paid  | \$ (5,333)   | \$ (6,184)   | \$ (10,228)  | \$ (12,388)  |
| Income taxes recovered (paid), net   | \$ (1,469)   | \$ 1,651   | \$ (1,889)   | \$ 713   |

**SASKATCHEWAN WHEAT POOL INC.**  
**SEGMENTED FINANCIAL INFORMATION**  
**FOR THE PERIODS ENDING JANUARY 31**  
**(unaudited and in thousands)**

**Segment Earnings - Three Months**

|                                 | January 31, 2006 |                   |                 | January 31, 2005 |                   |                 |
|---------------------------------|------------------|-------------------|-----------------|------------------|-------------------|-----------------|
|                                 | EBITDA           | Amortization      | EBIT            | EBITDA           | Amortization      | EBIT            |
| Grain Handling and Marketing    | \$ 12,148        | \$ (2,922)        | \$ 9,226        | \$ 7,995         | \$ (2,906)        | \$ 5,089        |
| Agri-products                   | (11)             | (2,753)           | (2,764)         | 5,424            | (2,647)           | 2,777           |
| Agri-food Processing            | 5,147            | (1,285)           | 3,862           | 5,122            | (1,285)           | 3,837           |
| <b>Segment results</b>          | <b>17,284</b>    | <b>(6,960)</b>    | <b>10,324</b>   | <b>18,541</b>    | <b>(6,838)</b>    | <b>11,703</b>   |
| Corporate expenses              | (6,245)          | -                 | (6,245)         | (4,565)          | -                 | (4,565)         |
| <b>Per financial statements</b> | <b>\$ 11,039</b> | <b>\$ (6,960)</b> | <b>\$ 4,079</b> | <b>\$ 13,976</b> | <b>\$ (6,838)</b> | <b>\$ 7,138</b> |

**Segment Earnings - Year to Date**

|                                 | January 31, 2006 |                    |                   | January 31, 2005 |                    |                   |
|---------------------------------|------------------|--------------------|-------------------|------------------|--------------------|-------------------|
|                                 | EBITDA           | Amortization       | EBIT              | EBITDA           | Amortization       | EBIT              |
| Grain Handling and Marketing    | \$ 17,376        | \$ (5,780)         | \$ 11,596         | \$ 9,511         | \$ (5,488)         | \$ 4,023          |
| Agri-products                   | (4,836)          | (5,378)            | (10,214)          | 2,005            | (5,218)            | (3,213)           |
| Agri-food Processing            | 10,336           | (2,570)            | 7,766             | 8,935            | (2,571)            | 6,364             |
| <b>Segment results</b>          | <b>22,876</b>    | <b>(13,728)</b>    | <b>9,148</b>      | <b>20,451</b>    | <b>(13,277)</b>    | <b>7,174</b>      |
| Corporate expenses              | (11,803)         | -                  | (11,803)          | (8,565)          | -                  | (8,565)           |
| <b>Per financial statements</b> | <b>\$ 11,073</b> | <b>\$ (13,728)</b> | <b>\$ (2,655)</b> | <b>\$ 11,886</b> | <b>\$ (13,277)</b> | <b>\$ (1,391)</b> |

**SASKATCHEWAN WHEAT POOL INC.**  
**SEGMENTED FINANCIAL INFORMATION**  
**FOR THE PERIODS ENDED JANUARY 31**  
(in thousands)

| <b>SALES</b>                 | Three Months<br>Ended January 31<br>2006 | Three Months<br>Ended January 31<br>2005 | Six Months<br>Ended January 31<br>2006 | Six Months<br>Ended January 31<br>2005 |
|------------------------------|--|--|--|--|
|                              | (unaudited)                              | (unaudited)                              | (unaudited)                            | (unaudited)                            |
| Grain Handling and Marketing | \$ 252,592                               | \$ 221,420                               | \$ 446,766                             | \$ 370,200                             |
| Agri-products                | 88,669                                   | 75,364                                   | 143,176                                | 127,378                                |
| Agri-food Processing         | 30,818                                   | 30,054                                   | 60,257                                 | 61,056                                 |
| Intersegment sales           | (4,354)                                  | (4,555)                                  | (8,517)                                | (7,645)                                |
|                              | <b>\$ 367,725</b>                        | <b>\$ 322,283</b>                        | <b>\$ 641,682</b>                      | <b>\$ 550,989</b>                      |

| <b>CAPITAL EXPENDITURES</b>  | Three Months<br>Ended January 31<br>2006 | Three Months<br>Ended January 31<br>2005 | Six Months<br>Ended January 31<br>2006 | Six Months<br>Ended January 31<br>2005 |
|------------------------------|--|--|--|--|
|                              | (unaudited)                              | (unaudited)                              | (unaudited)                            | (unaudited)                            |
| Grain Handling and Marketing | \$ 2,178                                 | \$ 1,623                                 | \$ 3,846                               | \$ 4,132                               |
| Agri-products                | 1,490                                    | 723                                      | 3,104                                  | 1,384                                  |
| Agri-food Processing         | 787                                      | 425                                      | 1,203                                  | 1,159                                  |
|                              | <b>\$ 4,455</b>                          | <b>\$ 2,771</b>                          | <b>\$ 8,153</b>                        | <b>\$ 6,675</b>                        |

| <b>ASSETS - As at</b>        | January 31,<br>2006 | January 31,<br>2005 | JULY 31,<br>2005  |
|------------------------------|---------------------|---------------------|-------------------|
|                              | (unaudited)         | (unaudited)         | (audited)         |
| Grain Handling and Marketing | \$ 303,005          | \$ 286,079          | \$ 313,943        |
| Agri-products                | 261,514             | 216,338             | 171,652           |
| Agri-food Processing         | 87,837              | 87,553              | 81,942            |
| Corporate                    | 147,355             | 145,910             | 154,323           |
|                              | <b>\$ 799,711</b>   | <b>\$ 735,880</b>   | <b>\$ 721,860</b> |

Saskatchewan Wheat Pool is a publicly traded agribusiness 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 value-added businesses and strategic alliances, which allow the Pool to leverage its pivotal position between Prairie farmers and destination customers. The Pool's common shares are listed on the Toronto Stock Exchange under the symbol SWP.

-30-

Contact: Colleen Vancha, Vice-President  
Investor Relations & Communications  
Saskatchewan Wheat Pool Inc.  
(306) 569-4782  
[www.swp.com](http://www.swp.com)