



**Saskatchewan Wheat Pool Inc.**

**For Immediate Release**

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**Pool Delivers Strong Quarterly and Annual Earnings Performance for Fiscal 2006**

Strong sales in each of the Pool's three business segments drove fourth quarter sales and other operating revenues to \$602.1 million, a 10% increase from \$546.7 million last year. Grain Handling and Marketing sales climbed 15%, Agri-product sales were up over 6%, and Agri-food Processing posted a 12% improvement from the levels of the fiscal 2005 fourth quarter.

Segment EBITDA, or earnings before interest, taxes, depreciation and amortization was \$59.2 million for the fourth quarter of 2006, an increase from \$55.2 million generated in the prior year's quarter. All three of the Pool's wholly owned operations posted fourth quarter improvements.

**Fourth Quarter Highlights**

- The Pool's grain shipments in the final quarter of 2006 exceeded the same period last year by 6.8%. Shipments reached 2 million metric tonnes (mmt) with non-Board shipments up 17.3%. Canadian Wheat Board shipments were on par with the previous year's period.
- The Pool's gross margin per tonne rose \$3.04 to \$21.90 in the final quarter of fiscal 2006 compared to the \$18.86 per tonne generated in the same period last year (which excludes \$1.53 per tonne in one-time items recorded in the final three months of fiscal 2005).
- The Pool's Agri-products retail operations generated fourth quarter EBITDA of \$21.3 million, up \$3 million from the previous year's quarter, partially offsetting reduced contributions from Western Co-operative Fertilizer Limited (WCFL).
- Net earnings in the fourth quarter of fiscal 2006 were \$13.5 million compared to \$29.5 million in the prior year's quarter with the decrease resulting from a number of one-time items recorded in the fourth quarter this year. Excluding these adjustments, net earnings for the final three months of the year were \$25.6 million, compared to \$23.0 million in the same period a year ago. Readers should refer to Tables 1 and 2 for a list of adjustments and their impact on net earnings.
- Cash flow from continuing operations was \$44.5 million, an 8.1% increase from the fourth quarter last year when the Pool generated \$41.2 million.

"Despite some challenges in the northeastern part of the Province due to excessive rains, our employees remained focused on their objectives and delivered a strong performance in our final quarter of 2006. I am extremely pleased with the results we achieved from our core operations," said President and Chief Executive Officer, Mayo Schmidt.

**Consolidated Financial Results – Fourth Quarter**

Segment EBITDA was up 7.4% for the fourth quarter in fiscal 2006 to \$59.2 million. All three of the Pool's wholly owned operations, which include Grain Handling and Marketing, the retail Agri-products network and Can-Oat Milling, posted fourth quarter improvements that more than offset lower contributions from Prairie Malt Limited and WCFL.

Corporate expenses in the fourth quarter of fiscal 2006 were \$5.3 million, down from \$8.1 million in the prior year's quarter mainly due to lower capital taxes and lower salaries, wages, and benefits. In last year's fourth quarter, the Pool began paying Saskatchewan capital taxes as a result of becoming a Canadian Business Corporation in March 2005. In fiscal 2006, the taxes were recorded throughout the year.

The Pool also recorded a \$15 million provision for a pension settlement in this year's fourth quarter reflecting management's best estimate of the minimum cost to the Pool of resolving a dispute regarding the Saskatchewan Wheat Pool/Grain Services Union Pension Plan solvency deficiency. Management made its estimate based on a range of potential outcomes that could include a negotiated settlement, litigation, or payment of all or a portion of the deficiency payments.

**Table 1**

Adjusted Results (in millions)	Fourth Quarter 2006	One- time items	Adjusted Fourth Quarter 2006	Fourth Quarter 2005	One- time items	Adjusted Fourth Quarter 2005
Grain Handling and Marketing <sup>1, 2</sup>	\$ 23.3	\$ 5.3	\$ 18.0	\$ 17.2	\$ 2.9	\$ 14.3
Agri-products	31.8	-	31.8	34.4	-	34.4
Agri-food Processing	4.1	-	4.1	3.6	-	3.6
Segment EBITDA	\$ 59.2	\$ 5.3	\$ 53.9	\$ 55.2	\$ 2.9	\$ 52.3
Corporate expenses	(5.3)	-	(5.3)	(8.1)	-	(8.1)
Provision for pension settlement	(15.0)	(15.0)	-	-	-	-
Consolidated EBITDA	\$ 38.9	\$ (9.7)	\$ 48.6	\$ 47.1	\$ 2.9	\$ 44.2

1 One-time item recorded in 2006 relates to an actuarial adjustment to the Hourly Employees' Retirement Plan

2 One-time items recorded in 2005 relate to interest income on corporate income tax refunds

Table 1 illustrates the impact of one-time items, including the provision for pension settlement, together with corporate expenses on the Pool's quarterly financial performance.

Consolidated EBITDA was \$38.9 million versus \$47.1 million for the fourth quarters of fiscal 2006 and fiscal 2005 respectively. Consolidated EBITDA before one-time items reflects the Pool's improved financial performance and was up 10% to \$48.6 million in the fourth quarter compared to \$44.2 million for the same period in fiscal 2005.

EBIT (earnings before interest and taxes) in the fourth quarter of fiscal 2006 was \$31.8 million versus \$40.4 million in fiscal 2005. EBIT before one-time items was \$41.5 million and \$37.5 million for the respective quarters (see Table 2).

Interest in the fiscal 2006 fourth quarter was \$2.7 million, down from \$10 million in the prior year period. Cash interest expenses fell 35.1% to \$2.2 million, reflecting substantially lower long-term debt levels in the final quarter of fiscal 2006. The Pool recorded non-cash interest of \$0.5 million, well below \$6.5 million for the same three-month period in fiscal 2005. The variance resulted primarily from writing off \$3.9 million of financing costs when the Pool repaid its \$100 million Senior Secured Notes in June 2005. The remaining \$2.1 million non-cash variance primarily related to accretion recorded in the prior year's fourth quarter for the Pool's \$150 million Senior Subordinated Notes, which were repaid on May 5, 2006. Accretion is an accounting concept whereby discounted debt balances are increased on a systematic basis to eventually equal their face value at maturity.

**Table 2**

<b>Adjusted Results</b>	<b>Fourth Quarter 2006</b>	<b>One-time items</b>	<b>Adjusted Fourth Quarter 2006</b>	<b>Fourth Quarter 2005</b>	<b>One-time items</b>	<b>Adjusted Fourth Quarter 2005</b>
(in millions except per share data)						
Consolidated EBITDA	\$ 38.9	\$ (9.7)	\$ 48.6	\$ 47.1	\$ 2.9	\$ 44.2
Amortization	(7.1)	-	(7.1)	(6.7)	-	(6.7)
EBIT	\$ 31.8	\$ (9.7)	\$ 41.5	\$ 40.4	\$ 2.9	\$ 37.5
Interest expense	(2.7)	-	(2.7)	(10.0)	-	(10.0)
Consolidated EBT	\$ 29.1	\$ (9.7)	\$ 38.8	\$ 30.4	\$ 2.9	\$ 27.5
Tax impact of one-time items and tax recoveries	-	3.5	(3.5)	-	(0.3)	0.3
Corporate taxes <sup>1</sup>	(15.7)	(6.0)	(9.7)	(4.8)	-	(4.8)
Earnings (loss) from continuing Operations	\$ 13.4	\$ (12.2)	\$ 25.6	\$ 25.6	\$ 2.6	\$ 23.0
Discontinued operations	0.1	0.1	-	3.9	3.9	-
Net earnings (loss)	\$ 13.5	\$ (12.1)	\$ 25.6	\$ 29.5	\$ 6.5	\$ 23.0
Weighted average shares	<b>89.969</b>		<b>89.969</b>	68.110		68.110
Earnings per share						
Continuing operations per share	\$ 0.15		\$ 0.28	\$ 0.38		\$ 0.34
Net earnings per share	\$ 0.15		\$ 0.28	\$ 0.44		\$ 0.34

1 One-time item reflects the effect of lower future corporate tax rates as a result of federal tax policy changes

Corporate tax expense rose \$10.8 million quarter-over-quarter to \$15.7 million and included \$6 million that was recorded to reflect the effect of lower future federal corporate tax rates. In the fourth quarter of 2005, corporate taxes were \$4.8 million.

There were no significant recoveries from discontinued operations in the fourth quarter of fiscal 2006. Last year's fourth quarter included a \$3.8 million net recovery for a previously held investment in hog production. The recovery resulted from filings under the Canadian Agriculture Income Stabilization (CAIS) program, a joint federal/provincial business risk management program.

Net earnings before one-time items, for the final three months of the year were \$25.6 million, compared to \$23 million in the same period a year ago.

Net earnings in the fourth quarter of fiscal 2006 were \$13.5 million compared to \$29.5 million in the prior year's quarter.

## **Operating Results - Fourth Quarter**

### **Grain Handling and Marketing Segment**

Producer deliveries to the Pool's primary elevator network were up 16.2% over last year's fourth quarter to 2.1 mmt. The larger than average crop produced last year in Saskatchewan, the Province where our operations are most concentrated, translated into higher deliveries to our facilities in the fourth quarter of fiscal 2006.

The Pool's total grain shipments rose to 2 mmt in the fourth quarter of fiscal 2006, up 6.8% from the same quarter last year. Non-Board shipments climbed 17.3% to 0.8 mmt, while CWB shipments were unchanged at 1.2 mmt.

The Pool shipped 1.4 mmt through its Vancouver and Thunder Bay export terminals in the final three months of fiscal 2006, 16.9% above the 1.2 mmt shipped in the prior year period. The bulk of this increase was achieved through the Pool's joint venture at the Port of Vancouver, a key gateway to the Asia-Pacific market.

**Table 3**

<b>Grain Handling and Marketing Volumes For the quarter ended July 31</b>			
('000s metric tonnes)	<b>2006</b>	2005	Increase
Primary elevator receipts	<b>2,146</b>	1,847	16.2%
Primary elevator shipments			
CWB grains	<b>1,191</b>	1,187	0.3%
Non-Board grains and oilseeds	<b>853</b>	727	17.3%
Total primary elevator shipments	<b>2,044</b>	1,914	6.8%
Port terminal receipts			
Vancouver	<b>835</b>	669	24.8%
Thunder Bay	<b>520</b>	490	6.1%
	<b>1,355</b>	1,159	16.9%
Share of Prince Rupert Grain	<b>227</b>	199	14.1%
Total port terminal receipts	<b>1,582</b>	1,358	16.5%

The Pool calculates gross margin for the Grain Handling and Marketing segment based on its wholly owned assets, which excludes Prince Rupert Grain (PRG). Gross margin rose to \$21.90 per tonne in the fourth quarter from \$20.39 in the same period last year, which included \$1.53 per tonne in one-time items. Excluding these one-time items, the \$3.04 per tonne improvement stemmed mainly from higher wheat and durum margins attained through stronger blending gains and terminal margins, as well as increased grain-drying revenue. These improvements were partially offset by lower malt barley margins caused by a poor quality crop.

EBITDA generated by the Grain Handling and Marketing segment climbed to \$23.3 million versus \$17.2 million. EBITDA before one-time items for the final quarter improved to \$18 million from \$14.3 million in the same period last year. The increase resulted mainly from higher shipments and improved margins.

The Grain Handling and Marketing segment's EBIT was \$20.4 million compared to \$14.3 million in the final quarter of fiscal 2005. EBIT before one-time items rose 32.5% to \$15.1 million in the fourth quarter of fiscal 2006 from \$11.4 million in the comparable period last year.

### **Agri-products Segment**

Sales for the Agri-product segment were \$340.7 million in the fourth quarter of fiscal 2006 compared to \$320.3 million for the same period last year. This improvement occurred despite excessive moisture in northeastern Saskatchewan that delayed seeding, reduced fertilizer application, and prevented producers from seeding approximately 1.7 million acres. The increase, in part, reflects sales that normally occur in the third quarter.

**Table 4**

<b>Agri-products Sales and Other Operating Revenues For the quarter ended July 31</b>		
(in millions)	<b>2006</b>	2005
Fertilizer products	<b>\$ 186.1</b>	\$ 176.7
Crop protection products	<b>116.4</b>	113.8
Other sales and operating revenues	<b>38.2</b>	29.8
Total	<b>\$ 340.7</b>	\$ 320.3

Fertilizer sales through our retail operations increased 15.2% in the fiscal 2006 fourth quarter from the same period last year, due to higher sales volumes and prices. However, the Pool's proportionate share of sales through WCFL was 7.3% below the level of the previous year's quarter, mainly the result of decreased sales volumes.

EBITDA for the fourth quarter of fiscal 2006 was \$31.8 million, compared to \$34.4 million in the same period last year. Our retail operations contributed \$21.3 million in EBITDA, up from \$18.3 million in the fourth quarter last year. WCFL contributed \$10.5 million to the segment's EBITDA compared to \$16.1 million in the previous year's quarter, a result of margin pressures in fertilizer. Expenses for the Pool's retail operations in the fourth quarter of fiscal 2006 were 8.5% lower than the same period last year, primarily because of stronger collections of outstanding accounts from the 2005 agri-products credit program.

EBIT for the operating segment in the final quarter of fiscal 2006 was \$29 million, down from \$31.8 million in the prior year period. Correspondingly, EBIT from our retail operations was \$20.6 million compared to \$17.6 million in last year's fourth quarter, and WCFL's contribution to EBIT was \$8.4 million versus \$14.2 million for the same respective periods.

### **Agri-food Processing Segment**

In the Agri-food Processing segment, sales for the final quarter were \$32.2 million, 11.8% higher than the \$28.8 million reported in the same period of fiscal 2005. Prairie Malt's sales were down 4.6% from the corresponding quarter last year. Can-Oat's sales increased 18.8% period over period, based on higher volumes of finished oat products, driven by strong demand for whole grains from manufacturers of cereals and breakfast bars.

EBITDA rose to \$4.1 million in the fourth quarter from \$3.6 million in the same period last year. Can-Oat's EBITDA grew 45.8% due to improved margins from higher value products, which resulted from increased sales volumes and greater production yields. Prairie Malt's EBITDA declined as a result of ongoing margin pressure related to higher processing and energy costs and a stronger Canadian dollar. EBIT in the fiscal 2006 fourth quarter improved to \$2.8 million from \$2.4 million in the same period last year.

### **Highlights for the Year ended July 31, 2006**

- The Pool's total shipments rose 15.5% year-over-year, exceeding the 12.3% improvement posted by the industry as a whole. Total shipments climbed to 7.9 mmt in fiscal 2006 from 6.9 mmt last year.
- Exports through the Pool's Vancouver port terminal climbed 37.9% during fiscal 2006 to 3.6 mmt, due to robust canola and pea movement and greater efficiencies achieved through our joint venture operations with James Richardson International Limited (JRI).
- Segment EBITDA was \$105.9 million for fiscal 2006 versus \$92.8 million generated in the prior year.
- Net earnings for fiscal 2006 were \$0.5 million compared to \$12.1 million in 2005. The decrease is primarily the result of one-time items recorded in 2006 as outlined in Table 6. Excluding these items, net earnings for the year reflected the Pool's strong operating performance and rose to \$16.8 million, compared to the \$1.6 million generated one year ago.
- In fiscal 2006, Can-Oat Milling began a \$12.0 million expansion to increase overall primary processing capacity at its Portage la Prairie plant. Can-Oat also acquired an oat milling facility in Barrhead, Alberta, in June 2006, which increased its annual capacity to 375,000 mt.
- Cash flow from continuing operations for 2006 was \$53.7 million compared to 2005 results of \$46.7 million.
- Total debt declined by 22.4% to \$143.0 million at July 31, 2006 from \$184.3 million a year earlier.

- The debt-to-equity ratio at July 31, 2006 was 24:76, a significant improvement from the 33:67 at July 31, 2005.

President and Chief Executive Officer Mayo Schmidt commented on the year ahead, "Fundamentals in agriculture are improving. Crop quality is excellent this year and the volumes are there to support a robust export program. With the significant improvements we have made to our balance sheet and our ability to generate strong cash flows, the Pool is in a good position to grow its business."

### **Annual Summary of Consolidated Results**

Fiscal 2006 consolidated sales and other operating revenues were \$1.6 billion, up from \$1.4 billion in the previous year. Sales grew in all three segments with Grain Handling and Marketing achieving the largest year-over-year increase at 21.5%, followed by the Agri-products segment at 5.1% and the Agri-food Processing segment at 3.2%.

The Pool's three operating segments generated \$105.9 million in EBITDA for fiscal 2006 compared to \$92.8 million in 2005. A solid performance from the Grain Handling and Marketing accounted for 57.1% of the Pool's operating EBITDA, or \$60.5 million.

EBITDA from the Agri-products segment was \$27 million in fiscal 2006, down from \$39.3 million in fiscal 2005 because of margin pressures brought about by increased retail competition, a lack of price appreciation of fertilizer prices, and more sales of lower margin product.

Agri-food Processing produced \$18.4 million of the Pool's segment EBITDA in fiscal 2006, an improvement of 11.6% from fiscal 2005 with Can-Oat's contribution up 24.5% over last year.

There were \$7.7 million of one-time contributions included in the Pool's segment EBITDA in fiscal 2006. Fiscal 2005 results included \$4.5 million of one-time items (see Table 5).

Segment EBITDA before one-time items was \$98.2 million in fiscal 2006, up nearly \$10 million from \$88.3 million earned in the prior year.

**Table 5**

<b>Adjusted Results</b>		<b>One-time items</b>	<b>Adjusted</b>		<b>One-time items</b>	<b>Adjusted</b>
(in millions)	<b>2006</b>		<b>2006</b>	<b>2005</b>		<b>2005</b>
Grain Handling and Marketing <sup>1,2</sup>	\$ 60.5	\$ 7.3	\$ 53.2	\$ 37.1	\$ 4.5	\$ 32.6
Agri-products <sup>3</sup>	27.0	0.4	26.6	39.3	-	39.3
Agri-food Processing	18.4	-	18.4	16.4	-	16.4
Segment EBITDA	\$105.9	\$ 7.7	\$ 98.2	\$ 92.8	\$ 4.5	\$ 88.3
Corporate expenses	(23.4)	-	(23.4)	(22.3)	-	(22.3)
Provision for pension settlement	(15.0)	(15.0)	-	-	-	-
Consolidated EBITDA	\$ 67.5	\$ (7.3)	\$ 74.8	\$ 70.5	\$ 4.5	\$ 66.0

1 A gain of \$2 million from the sale of the Pool's 50% interest in the Lloydminster joint venture was recorded in fiscal 2006 together with a \$5.3 million actuarial adjustment to the Hourly Employees' Retirement Plan.

2 In fiscal 2005, an Ontario capital tax refund, a property tax dispute settlement, and interest income on tax refunds were recorded.

3 The Agri-products segment recorded its share of the gain from the sale of the Lloydminster joint venture in fiscal 2006.

Corporate expenses for fiscal 2006 were \$23.4 million compared to \$22.3 million last year. In fiscal 2006, the Pool began funding the Western Farm Leadership Co-operative's business plan and those costs, together with regular salary increases, are the primary reasons for the slight increase this year.

The Pool recorded a provision for pension settlement of \$15 million in its final quarter of fiscal 2006 as previously discussed. Table 5 illustrates the impact of this provision and other one-time items on consolidated EBITDA for the year.

**Table 6**

<b>Adjusted Results</b>		<b>One-time items</b>	<b>Adjusted 2006</b>	2005	<b>One-time items</b>	<b>Adjusted 2005</b>
(in millions except per share data)	<b>2006</b>					
Consolidated EBITDA	\$ 67.5	\$ (7.3)	\$ 74.8	\$ 70.5	\$ 4.5	\$ 66.0
Amortization <sup>1</sup>	(27.8)	-	(27.8)	(26.4)	-	(26.4)
EBIT	\$ 39.7	\$ (7.3)	\$ 47.0	\$ 44.1	\$ 4.5	\$ 39.6
Interest expense	(21.0)	-	(21.0)	(37.1)	-	\$ (37.1)
Expenses associated with the redemption of the Senior Subordinated Notes	(11.2)	(11.2)	-	-	-	-
Consolidated EBT	\$ 7.5	\$ (18.5)	\$ 26.0	\$ 7.0	\$ 4.5	\$ 2.5
Tax impact of one-time items and tax recoveries	-	6.7	(6.7)	-	0.9	(0.9)
Corporate taxes <sup>2</sup>	(14.3)	(11.8)	(2.5)	-	-	-
Earnings (loss) from continuing Operations	\$ (6.8)	\$ (23.6)	\$ 16.8	\$ 7.0	\$ 5.4	\$ 1.6
Discontinued operations	7.3	7.3	-	5.1	5.1	-
Net earnings (loss)	\$ 0.5	\$ (16.3)	\$ 16.8	\$ 12.1	\$ 10.5	\$ 1.6
Weighted average shares	<b>84.343</b>		<b>84.343</b>	28.103		28.103
Earnings per share						
Continuing operations per share <sup>3</sup>	<b>\$(0.08)</b>		<b>\$ 0.20</b>	\$ (1.44)		\$ 0.06
Net earnings per share <sup>3</sup>	<b>\$ 0.01</b>		<b>\$ 0.20</b>	\$ (1.26)		\$ 0.06

1 Rounded for the purpose of this table

2 Reflects the effect of lower future corporate tax rates as a result of federal and provincial tax policy changes

3 The calculations in the adjusted 2005 column exclude the inducement premium and accretions related to the equity component of the Convertible Subordinated Notes.

Consolidated EBITDA for the twelve-month period was \$67.5 million versus \$70.5 million in fiscal 2005. Consolidated EBITDA before one-time items for the year was \$74.8 million up from \$66 million last year.

Amortization of property, plant, and equipment and certain other long-term assets was \$27.7 million in fiscal 2006 compared to \$26.5 million in fiscal 2005. Higher amortization year-over-year reflected ongoing investment in property, plant, and equipment.

EBIT in fiscal 2006 was \$39.7 million versus \$44.1 million in fiscal 2005 and before one-time items was \$47 million and \$39.6 million respectively.

Financing expenses in fiscal 2006 included interest expense and expenses associated with the redemption of the Senior Subordinated Notes. Interest expense was \$21 million compared to \$37.1 million in fiscal 2005.

The cash component of interest expense in fiscal 2006 was \$17.5 million, down from \$21.7 million in the prior year reflecting both lower short-term borrowing levels and the reduction of long-term debt. The non-cash interest expense for fiscal 2006 was \$3.5 million, which included \$1.8 million of accretion on term debt and \$1.7 million related to the amortization of deferred financing costs. The non-cash interest expense in fiscal 2005 was \$15.4 million.

There was \$11.2 million in fiscal 2006 financing expenses associated with the redemption of previously outstanding Senior Subordinated Notes. An early redemption premium of \$3 million was paid in cash. The remaining \$8.2 million in non-cash charges related to the adjustment of the carrying value of the Senior Subordinated Notes to their \$150 million face value.

Corporate taxes in fiscal 2006 rose \$14.3 million from nil last year. The increase included \$11.8 million that the Pool recorded to reflect the effect of lower future corporate tax rates as a result of federal and provincial government tax policy changes.

Included in both years were after-tax recoveries from discontinued operations related to the Pool's investment in hog production of \$7.3 million and \$5.1 million respectively. The recoveries in fiscal 2006 and \$3.8 million of the recoveries in fiscal 2005, relate to filings under the Canadian Agricultural Income Stabilization Program (CAIS), a joint federal-provincial risk management program.

Net earnings before one-time items were \$16.8 million, a significant increase from \$1.6 million in fiscal 2005.

Net earnings in fiscal 2006 were \$0.5 million compared to \$12.1 million in the prior year.

### Grain Handling and Marketing Segment

The Pool's total shipments rose 15.5% year-over-year, exceeding the 12.3% improvement posted by the industry as a whole. Our total shipments climbed to 7.9 mmt in fiscal 2006 from 6.9 mmt last year. The main reason for the Pool's relative strength was its success in marketing non-Board commodities. Our non-Board shipments – mainly canola and peas – were 39% higher year-over-year, compared to a 20.9% improvement for the industry as a whole. At the same time, the Pool's CWB shipments increased 2% while total industry shipments were up 7%. CWB grains represented just 56.3% of the Pool's total shipments in fiscal 2006 compared to 63.7% last year.

The combined volumes of the Pool's Vancouver and Thunder Bay ports rose to 5.1 mmt in fiscal 2006 from 4.1 mmt last year. Non-Board terminal handlings increased 57.9%, while CWB terminal handlings were up just 3.2%, despite better quality and slightly larger 2006 production of wheat and durum. Exports through our Vancouver port terminal climbed 37.9% during fiscal 2006 to 3.6 mmt, due to robust canola and pea movement and greater efficiencies achieved through our joint venture operations with James Richardson International Limited (JRI).

**Table 7**

<b>Grain Handling and Marketing Volumes For the years ended July 31</b>			
('000s metric tonnes)	<b>2006</b>	2005	Increase (Decrease)
Primary elevator receipts	<b>7,721</b>	6,813	13.3%
Primary elevator shipments			
CWB grains	<b>4,452</b>	4,363	2.0%
Non-Board grains and oilseeds	<b>3,462</b>	2,490	39.0%
Total primary elevator shipments	<b>7,914</b>	6,853	15.5%
Port terminal receipts			
Vancouver	<b>3,641</b>	2,641	37.9%
Thunder Bay	<b>1,463</b>	1,493	(2.0%)
Share of Prince Rupert Grain	<b>5,104</b>	4,134	23.5%
Total port terminal receipts	<b>913</b>	715	27.7%
Total port terminal receipts	<b>6,017</b>	4,849	24.1%

On a full year basis, the Pool's share of shipments through the Prince Rupert Grain (PRG) terminal (owned by a consortium that includes the Pool, Agricore United, Cargill, and JRI) was up 27.7% because of the CWB's preference for shipping through that location.

Including one-time items of \$0.25 per tonne and \$0.65 per tonne respectively, the gross margin for fiscal 2006 was up 8.3% to \$20.26 per tonne from \$18.71 per tonne last year. The improvement reflected higher canola margins; blending gains; more efficient asset and pipeline utilization, particularly at the Port of Vancouver; and additional drying revenue.

EBITDA rose to \$60.5 million versus \$37.1 million. EBITDA before one-time items was \$53.2 million in fiscal 2006, or 63.2% above the \$32.6 million recorded in fiscal 2005. EBIT was robust as well rising to \$48.9 million versus \$25.8 million last year, while EBIT before one-time items was \$41.7 million versus \$21.3 million in fiscal 2005. Higher shipments and improved margin contributed to the increases.

From a cost perspective, expenses were up year-over-year. However, a \$5.3 million favourable actuarial adjustment to the Hourly Employees' Retirement Plan offset an increase in salaries, wages and benefits expense. During the year, the Pool paid \$3.2 million in grain volume insurance premiums. There was no grain volume insurance expensed in fiscal 2005. In total, the cost per tonne for grain handling and marketing in fiscal 2006 dropped to \$12.86 per tonne from \$13.46 per tonne a year earlier.

### Agri-products Segment

Agri-product sales rose 5.1% to \$540.3 million in fiscal 2006 from \$514.2 million in fiscal 2005. The Pool's retail sales were 7.8% higher than last year. Fertilizer and crop protection products accounted for 81.7% of the sales from our retail operations this year, about the same as last year. Retail fertilizer sales were up 12.8% in fiscal 2006 due to higher sales volume and prices. The Pool's proportionate share of WCFL's sales decreased slightly in fiscal 2006, reflecting a decrease in volumes by 7.6% that was offset by rising fertilizer prices year-over-year.

**Table 8**

<b>Agri-products Sales and Other Operating Revenues</b>		
<b>For the year ended July 31</b>		
(in millions)	<b>2006</b>	2005
Fertilizer products	\$ 336.7	\$ 318.0
Crop protection products	133.7	130.2
Other sales and operating revenues	69.9	66.0
<b>Total</b>	<b>\$ 540.3</b>	<b>\$ 514.2</b>

EBITDA was \$27.0 million in fiscal 2006, compared to \$39.3 million in fiscal 2005. In our retail operations, EBITDA was \$9.2 million this year, compared to \$14.1 million in fiscal 2005. WCFL contributed \$17.8 million to the segment EBITDA in fiscal 2006, down 29.4% from \$25.2 million in the previous year mainly a result of lower margins.

EBIT was \$16 million in fiscal 2006 versus \$29.3 million the previous year. Retail operations had EBIT of \$6.3 million down from \$11.6 in the previous fiscal year, while EBIT contributions from WCFL were \$9.7 million in fiscal 2006 compared to \$17.7 million last year.

### Agri-food Processing Segment

Agri-food Processing sales were up 3.2% at \$122.3 million in fiscal 2006 from \$118.5 million last year. Wholly owned Can-Oat Milling's sales rose 7.5% in fiscal 2005. Can-Oat's improvement was driven by higher demand for finished products such as oat flakes, bran and bran flour. Demand for these products by cereal and breakfast bar manufacturers continues to grow, influenced by the increasingly health-conscious whole grain consumer market. The Pool's 42.4% share in Prairie Malt's sales fell 7.7% in fiscal 2006 due to a stronger Canadian dollar and excess capacity in the North American and European malt industries.

Segment EBITDA was \$18.4 million for fiscal 2006, up from \$16.4 million in the prior year. EBIT for the segment was \$13.2 million in fiscal 2006 versus \$11.3 million in fiscal 2005. Can-Oat's EBITDA increased 24.5% over fiscal 2005. Higher sales volumes combined with yield improvements drove Can-Oat's EBITDA growth in fiscal 2006. Prairie Malt's EBITDA was down due to pricing pressures related to excess capacity in the malt industry, as well as higher processing costs.

### Non-GAAP Measures

#### **EBIT and EBITDA data**

The EBIT and EBITDA data included in this news release is intended to give further insight regarding the Company's financial results, including its results on a segment-by-segment basis, and to supplement information on its earnings (loss) as determined in accordance with generally accepted accounting principles (GAAP). The Pool's method of calculating EBIT and EBITDA may not be

comparable to other companies in the industry. Therefore, EBIT should not be used as an alternative to net earnings (loss) as determined in accordance with GAAP. Similarly, EBITDA should not be used as an alternative to cash provided by operating activities as determined in accordance with GAAP. Also note that the Pool has provide EBITDA and EBIT information before one-time items to assist readers in properly assessing the financial performance of its operations.

### **One-time Items**

One-time items are considered by their nature to be unusual or non-recurring to normal operations of the Company. These items should be considered when assessing the operational performance of the Company on a segment-by-segment basis.

### **Forward Looking Information**

This release contains forward looking statements that involve certain risks and uncertainties which could cause actual results to differ materially from future results expressed or implied by such statements. Important factors that could affect these statements include, without limitation, weather conditions; producer's decisions regarding total planted acreage, crop selection, and utilization levels of farm inputs such as fertilizers and pesticides; Canadian grain export levels; changes in government policy and transportation deregulation; world agricultural commodity prices and markets; changes in competitive forces including pricing pressures; and global political and economic conditions, including grain subsidy actions of the United States and European Union.

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

(in thousands) <b>AS AT</b>	<b>July 31 2006 (audited)</b>	<b>July 31 2005 (audited)</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 5,071	\$ 2,074
Cash in trust	508	771
Short-term investments	104,892	79,264
Accounts receivable	123,176	127,102
Inventories	142,925	117,416
Prepaid expenses and deposits	13,074	20,737
Future income taxes	772	78
	<u>390,418</u>	<u>347,442</u>
<b>Investments</b>	4,904	5,437
<b>Property, Plant and Equipment</b>	255,552	251,489
<b>Other Long-Term Assets</b>	20,605	14,822
<b>Future Income Taxes</b>	102,551	102,670
	<u>\$ 774,030</u>	<u>\$ 721,860</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Bank indebtedness	\$ 13,238	\$ 8,060
Short-term borrowings	-	392
Members' demand loans	18,965	21,476
Accounts payable and accrued liabilities	129,940	115,319
Long-term debt due within one year	8,890	5,461
	<u>171,033</u>	<u>150,708</u>
<b>Long-Term Debt</b>	101,917	148,928
<b>Other Long-Term Liabilities</b>	37,616	37,424
<b>Future Income Taxes</b>	2,034	3,559
	<u>312,600</u>	<u>340,619</u>
<b>Shareholders' Equity</b>		
Share capital	502,760	439,485
Contributed surplus	308	243
Retained earnings (deficit)	(41,638)	(58,487)
	<u>461,430</u>	<u>381,241</u>
	<u>\$ 774,030</u>	<u>\$ 721,860</u>

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

(in thousands) FOR THE PERIODS ENDED	Three Months Ended July 31, 2006 (unaudited)	Three Months Ended July 31, 2005 (unaudited)	Year Ended July 31, 2006 (audited)	Year Ended July 31, 2005 (audited)
<b>Sales and Other Operating Revenues</b>	\$ 602,057	\$ 546,725	\$ 1,580,237	\$ 1,385,730
<b>Cost of Sales and Expenses</b>				
Cost of sales and operating expenses	533,332	482,950	1,441,116	1,260,496
Selling and administrative expenses	14,867	16,678	56,654	54,704
Amortization	7,073	6,698	27,727	26,460
Provision for pension settlement	15,000	-	15,000	-
	570,272	506,326	1,540,497	1,341,660
<b>Earnings Before Interest and Taxes</b>	31,785	40,399	39,740	44,070
<b>Financing Expenses</b>				
Interest expense	2,730	9,945	21,054	37,050
Expenses associated with the redemption of the Senior Subordinated Notes	-	-	11,209	-
<b>Earnings Before Corporate Taxes</b>	29,055	30,454	7,477	7,020
Corporate tax expense	15,644	4,798	14,321	3
<b>Earnings (Loss) From Continuing Operations</b>	13,411	25,656	(6,844)	7,017
<b>Net Recoveries From Discontinued Operations</b>	81	3,872	7,375	5,072
<b>Net Earnings</b>	13,492	29,528	531	12,089
<b>Retained Earnings (Deficit), Beginning of Period</b>	(65,756)	(89,759)	(58,487)	(19,221)
Future income tax - adjustment	10,808	15,578	17,999	15,578
Future income taxes - costs of recapitalization	19	4,742	830	4,742
Future income taxes - other items related to recapitalization	-	(11,102)	-	(11,102)
Share recapitalization costs	(201)	(7,474)	(2,511)	(12,992)
Share recapitalization inducement premium	-	-	-	(33,846)
Accretion of equity component of Convertible Subordinated Notes	-	-	-	(13,735)
<b>Retained Earnings (Deficit), End of Period</b>	\$ (41,638)	\$ (58,487)	\$ (41,638)	\$ (58,487)
<b>Basic and Diluted Earnings (Loss) Per Share</b>				
<b>From Continuing Operations</b>	\$ 0.15	\$ 0.38	\$ (0.08)	\$ (1.44)
<b>Net Earnings (Loss)</b>	\$ 0.15	\$ 0.44	\$ 0.01	\$ (1.26)

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

(in thousands) FOR THE PERIODS ENDED	Three Months Ended July 31, 2006 (unaudited)	Three Months Ended July 31, 2005 (unaudited)	Year Ended July 31, 2006 (audited)	Year Ended July 31, 2005 (audited)
<b>Cash From (Used in) Operating Activities</b>				
Earnings (Loss) from continuing operations	\$ 13,411	\$ 25,656	\$ (6,844)	\$ 7,017
Add (deduct) items not involving cash and / or operations				
Amortization	7,073	6,698	27,727	26,460
Future income tax provision (recovery)	14,811	2,999	12,595	(1,503)
Provision for pension settlement	15,000	-	15,000	-
Post employment benefit (credit) expense	(4,734)	(496)	(3,334)	1,107
Non-cash financing expenses	491	6,493	11,761	15,361
(Gain) loss on sale of property, plant and equipment	(677)	86	(3,272)	(714)
Other items	(877)	(269)	116	(1,069)
Cash flow from continuing operations	44,498	41,167	53,749	46,659
Changes in non-cash working capital items				
Accounts receivable	(16,548)	(3,814)	15	40,098
Inventories	129,144	148,245	(25,509)	(12,441)
Accounts payable	(131,390)	(149,436)	(2,429)	(36,476)
Prepaid expenses and deposits	50,231	(9,969)	7,663	(10,858)
Changes in non-cash working capital - continuing operations	31,437	(14,974)	(20,260)	(19,677)
Cash from operating activities - continuing operations	75,935	26,193	33,489	26,982
Cash from (used in) discontinued operations	8,554	(3)	17,509	960
Cash from operating activities	84,489	26,190	50,998	27,942
<b>Cash From (Used in) Financing Activities</b>				
Proceeds of long-term debt	-	-	100,000	100,000
Repayment of long-term debt	(151,308)	(101,974)	(153,653)	(185,440)
Repayment of short-term borrowings	-	(16,020)	(392)	(1,109)
Repayment of other long-term liabilities, net	(733)	(646)	(972)	(646)
(Repayment) proceeds of members' demand loans	(1,345)	650	(2,511)	2,785
Repayment of members' Class A Shares	-	-	-	(524)
Increase in share capital	13,025	150,106	63,275	150,125
Equity costs	(361)	(7,053)	(3,070)	(12,406)
Debt refinancing cost	(224)	(101)	(2,808)	(8,939)
Cash (used in) from financing activities	(140,946)	24,962	(131)	43,846
<b>Cash From (Used in) Investing Activities</b>				
Property, plant and equipment expenditures	(17,885)	(3,931)	(29,985)	(12,865)
Proceeds on sale of property, plant and equipment	775	175	3,739	1,543
Decrease in cash in trust	116	1,139	263	405
Decrease in investments	506	201	363	45
Increase in other long-term assets	(107)	(516)	(1,800)	(1,001)
Cash used in investing activities	(16,595)	(2,932)	(27,420)	(11,873)
<b>(Decrease) Increase in Cash and Cash Equivalents</b>	(73,052)	48,220	23,447	59,915
<b>Cash and Cash Equivalents, Beginning of Period</b>	169,777	25,058	73,278	13,363
<b>Cash and Cash Equivalents, End of Period</b>	\$ 96,725	\$ 73,278	\$ 96,725	\$ 73,278
Cash and cash equivalents consist of:				
Cash			\$ 5,071	\$ 2,074
Short-term investments			104,892	79,264
Bank indebtedness			(13,238)	(8,060)
			\$ 96,725	\$ 73,278
Supplemental disclosure of cash paid during the period from continuing operations:				
Interest paid	\$ (5,955)	\$ (3,994)	\$ (20,847)	\$ (23,386)
Income taxes recovered (paid), net	\$ 272	\$ (2,732)	\$ (1,676)	\$ (744)

**SASKATCHEWAN WHEAT POOL INC.  
SEGMENTED FINANCIAL INFORMATION**

(in thousands) FOR THE PERIODS ENDED	Three Months Ended July 31, 2006 (unaudited)	Three Months Ended July 31, 2005 (unaudited)	Year Ended July 31, 2006 (audited)	Year Ended July 31, 2005 (audited)
<b>Sales</b>				
Grain Handling and Marketing	\$ 230,968	\$ 200,885	\$ 930,863	\$ 766,107
Agri-products	340,744	320,319	540,269	514,238
Agri-food Processing	32,165	28,763	122,265	118,486
	603,877	549,967	1,593,397	1,398,831
Less: Inter-segment Sales	1,820	3,242	13,160	13,101
	\$ 602,057	\$ 546,725	\$ 1,580,237	\$ 1,385,730
<b>Inter-segment Sales</b>				
Grain Handling and Marketing	\$ 1,812	\$ 3,204	\$ 12,983	\$ 12,884
Agri-food Processing	8	38	177	217
	\$ 1,820	\$ 3,242	\$ 13,160	\$ 13,101
<b>EBITDA<sup>1</sup></b>				
Grain Handling and Marketing	\$ 23,338	\$ 17,154	\$ 60,494	\$ 37,111
Agri-products	31,823	34,381	27,032	39,251
Agri-food Processing	4,084	3,621	18,349	16,448
	59,245	55,156	105,875	92,810
Corporate Expenses	(5,387)	(8,059)	(23,408)	(22,280)
Provision for Pension Settlement	(15,000)	-	(15,000)	-
	\$ 38,858	\$ 47,097	\$ 67,467	\$ 70,530
<b>Amortization</b>				
Grain Handling and Marketing	\$ (2,936)	\$ (2,827)	\$ (11,579)	\$ (11,348)
Agri-products	(2,870)	(2,612)	(11,017)	(10,000)
Agri-food Processing	(1,267)	(1,259)	(5,131)	(5,112)
	\$ (7,073)	\$ (6,698)	\$ (27,727)	\$ (26,460)
<b>EBIT<sup>2</sup></b>				
Grain Handling and Marketing	\$ 20,402	\$ 14,327	\$ 48,915	\$ 25,763
Agri-products	28,953	31,769	16,015	29,251
Agri-food Processing	2,817	2,362	13,218	11,336
	52,172	48,458	78,148	66,350
Corporate Expenses	(5,387)	(8,059)	(23,408)	(22,280)
Provision for Pension Settlement	(15,000)	-	(15,000)	-
	\$ 31,785	\$ 40,399	\$ 39,740	\$ 44,070

<sup>1</sup> EBITDA - earnings from continuing operations before interest, taxes and amortization

<sup>2</sup> EBIT - earnings from continuing operations before interest and taxes

Saskatchewan Wheat Pool Inc. 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.

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[www.swp.com/investor.html](http://www.swp.com/investor.html)

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