



**For Immediate Release**

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**VITERRA'S YEAR-TO-DATE EARNINGS MORE THAN DOUBLE**

A strong global agriculture sector and robust commodity prices drove record high agri-product sales for Viterra in the three months ended July 31, 2008. Increased demand throughout the Company's expanded network and enhanced elevator efficiencies also drove third quarter net earnings to \$166.7 million (\$0.71 earnings per share), up from \$98.5 million (\$0.58 earnings per share) for the same period in 2007. For the nine months ended July 31, 2008, net earnings more than doubled, growing by \$125.8 million to \$241.5 million (\$1.13 earnings per share), compared to \$115.7 million (\$1.05 earnings per share) for the nine months ended July 31, 2007.

Earnings before interest, taxes, amortization, gain (loss) on disposal of assets, integration expenses and recovery of (provision for) pension settlement ("EBITDA") for the three months ended July 31, 2008 improved by \$119.2 million to \$272.6 million compared to \$153.4 million in the same period of 2007. EBITDA for the nine months ended July 31, 2008 more than doubled to \$432.3 million, compared to \$203.5 million for the same period of 2007. The Company's performance was driven by a combination of continued strong grain margins, higher fertilizer sales and margins and the incremental EBITDA earned from assets acquired from Agricore United ("AU") in May 2007.

Cash flow provided by operations improved by \$135.3 million to \$261.4 million (\$1.12 per share) for the three months ended July 31, 2008, compared to \$126.1 million (\$0.74 per share) reported in the same period of the prior year. For the nine months ended July 31, 2008, cash flow provided by operations was \$383.1 million (\$1.79 per share), an increase of \$210.6 million (\$0.22 per share) over the same period of 2007.

"Our third quarter and year-to-date results are a testament to our ability to maximize operational performance during a period of strong agricultural industry fundamentals," said Viterra's President and CEO Mayo Schmidt. "We continue to realize the synergies from the AU acquisition ahead of schedule and have created a stable and diverse platform to enable us to execute on acquisitions and market opportunities. With the integration of AU substantially complete, we have demonstrated our ability to successfully export our expertise to other businesses. This will be our continued focus going forward."

## **Financial Highlights:**

- Consolidated sales and other operating revenues rose \$0.8 billion to \$2.2 billion for the third quarter, up from \$1.4 billion in same period last year. On a year-to-date basis, consolidated sales and other operating revenues were \$5.1 billion, more than twice the \$2.2 billion reported for the nine months ended July 31, 2007.
- Improved market share and stronger margins in the Grain Handling and Marketing segment contributed \$78.6 million of EBITDA for the quarter and \$229.2 million for the first nine months on 2008. This compares to \$63.3 million of EBITDA for the third quarter of 2007 and \$108.3 million of EBITDA for the nine months ended July 31, 2007.
- The Company continues to execute on expanded merchandising opportunities and operational efficiencies, generating year-to-date grain margins of \$32.22 per tonne (after excluding a \$3.0 million one-time insurance recovery) compared to \$25.24 per tonne in 2007. Shipments during the quarter were 3.7 million tonnes and 11.2 million tonnes for the first nine months of 2008.
- Sales and other operating revenues for the Agri-products segment climbed \$421.5 million to \$1.0 billion for the quarter ended July 31, 2008 and for the nine months rose \$616.4 million to \$1.4 billion. This compares to the 2007 results of \$588.3 million and \$761.8 million respectively. This performance is largely due to the increase in fertilizer volumes and prices, along with improvements in both seed and crop protection products sales. Stronger worldwide demand for agri-products drove margins in this segment and contributed to an increase in EBITDA of \$100.4 million for the quarter ended July 31, 2008.
- As at July 31, 2008, Viterra has achieved total synergies of \$87.3 million resulting from the successful acquisition and integration of AU's operations with those of Saskatchewan Wheat Pool. The integration of Viterra's Agri-products network is complete and that business unit has exceeded its estimates through the realization of additional revenue generating opportunities. As a result, the Company now expects gross synergies of \$104 million with the full benefit to be delivered by the middle of fiscal 2009.
- Viterra's solid financial performance caused its consolidated tax loss carry forwards at July 31, 2008 to decline to \$62.9 million from \$183.2 million at the end of April 2008. These tax losses are available to reduce income taxes that are payable in future years. Based on current expectations, management now believes that its tax loss carry-forwards will be fully utilized by the end of fiscal 2009.
- During the quarter Viterra successfully completed a common share offering of 32.89 million shares, including an over-allotment option exercised by the underwriters, and raised a total of \$441.5 million (net of underwriting fees and estimated expenses). Viterra was also successful in securing a \$400 million, five-year term credit facility, of which \$232.0 million was used to repay the

Company's existing Bridge Facility. The balance of the proceeds raised by the share and debt offerings will be used for general corporate purposes, including the funding of future acquisitions.

- During the quarter, Viterra received investment grade ratings from Dominion Bond Rating Services on its Senior Unsecured Notes and Term Credit Facility. Standard and Poor's upgraded its ratings on the Company's Senior Unsecured Notes and Bank Credit Facility, with a positive outlook.

"The agricultural environment is presently robust, presenting Viterra with opportunities to grow its business and drive additional value to shareholders," said Schmidt. "We are being aggressive yet selective in our process, applying rigorous strategic and financial metrics to each significant opportunity."

**Viterra will be hosting a conference call for interested parties on September 10, 2008 at 1:45 p.m. Toronto time, 11:45 a.m. Regina time to discuss its Third Quarter Financial Report. Details are available on Viterra's website, under NewsRoom at [www.viterra.ca](http://www.viterra.ca).**

Certain statements in this news release are forward-looking statements and reflect Viterra's expectations regarding future results of operations, financial condition and achievements. All statements that address activities, events or developments that Viterra 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, critical accounting estimates and expectations regarding future capital resources and liquidity of the Company and such matters, are 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 Viterra 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. These factors and assumptions are further detailed in Viterra's Third Quarter Financial Report.

Viterra Inc. is Canada's leading agribusiness, with extensive operations and distribution capabilities across Western Canada, and with operations in the United States, Japan, and Singapore. The Company is diversified into sales and services of crop inputs and equipment, grain handling and marketing, livestock feed and services, agri-food processing and financial products. These operations are complemented by value-added businesses and strategic alliances which allow Viterra to leverage its pivotal position between Prairie farmers and destination customers. The Company's common shares are listed on the Toronto Stock Exchange under the symbol VT.

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# VITERRA

## THIRD QUARTER REPORT – JULY 31, 2008 MANAGEMENT’S DISCUSSION AND ANALYSIS

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## **1. RESPONSIBILITY FOR DISCLOSURE**

Management's Discussion and Analysis ("MD&A") was prepared based on information available to Viterra Inc. (referred to herein as Viterra or the "Company") as of September 10, 2008. Management prepared this report to help readers interpret Viterra's consolidated financial results for the three and nine-month periods ended July 31, 2008, compared to the same periods in the previous fiscal year. With the acquisition of Agricore United ("AU") on May 29, 2007, the results in the third quarter and nine months ended July 31, 2008 reflect the performance of the integrated operations throughout those periods. However, under Canadian Generally Accepted Accounting Principles ("GAAP"), the comparative periods in 2007 only include the operations of AU from May 29, 2007 to July 31, 2007 and have not been restated to include the combined results for the entire comparative period. Additionally, as previously disclosed, the Company completed a number of asset divestitures on June 30, 2007 and as such, prior period comparatives include the results from those divested assets up to June 30, 2007. Prior period comparatives have been restated for non-hedgable grain inventories and related commodity contracts as discussed in Section 7.1.2.

To support this discussion, this report includes information with respect to the agri-business industry, the markets in which the Company operates and any trends that may impact operating and financial performance into the future. This report should be read in conjunction with Viterra's 2007 Annual Report, the 2007 Annual Information Form and the Business Acquisition Report dated July 18, 2007, which are available on Viterra's website at [www.viterra.ca](http://www.viterra.ca), as well as on SEDAR's website at [www.sedar.com](http://www.sedar.com) under Viterra Inc.

This MD&A, the unaudited Consolidated Balance Sheet, Statement of Earnings, Statement of Cash Flows, Statement of Comprehensive Income, Statement of Shareholders' Equity and Notes to the Consolidated Financial Statements have been prepared in accordance with Canadian GAAP and are presented in Canadian dollars unless specifically stated to the contrary. The Consolidated Statement of Comprehensive Income and changes in Accumulated Other Comprehensive Income included in the Statement of Shareholders' Equity represent new elements of the financial statements presented under the rules for the reporting and disclosure of Financial Instruments (see Section 7.1).

## **2. COMPANY OVERVIEW**

Viterra is a vertically integrated Canadian agri-business engaged in a number of distinct but interrelated businesses. Founded in 1924, the Company serves western Canadian farmers and markets commodities and food products around the world. On May 29, 2007, the Company acquired effective control of AU, one of Canada's leading agri-businesses, with extensive operations and distribution capabilities across Western Canada as well as operations in the United States ("U.S."), Japan, and Singapore. The acquisition resulted in the Company achieving a stronger and more diversified presence amid the growing demands of a highly competitive marketplace,

while creating the scale and scope of operations to enhance its western Canadian position in the global environment.

Viterra's core businesses are diversified between grain handling and marketing, agri-products sales, livestock feed and services, agri-food processing and financial products. Viterra also participates in fertilizer manufacturing through its ownership of Western Co-operative Fertilizers Limited ("Westco"), oat milling through its ownership of Can-Oat Milling ("Can-Oat") and malt processing through its interest in Prairie Malt Limited. Viterra is involved in other commodity-related businesses through strategic alliances and supply agreements with domestic and international grain traders and food processing companies. The Company also markets commodities directly to global customers around the world.

In 2007, Viterra changed its financial year-end from July 31 to October 31 to better align its reporting period with its business cycle. Unless otherwise noted, quarterly and year-to-date information presented herein reflects the results for the current and comparable fiscal periods.

On August 30, 2007, the Company commenced using the operating name Viterra. Subsequently, on March 12, 2008 the shareholders approved an amendment to the Articles of the Company to change the corporate name from "Saskatchewan Wheat Pool Inc." to "Viterra Inc.". The Company's shares now trade on the Toronto Stock Exchange ("TSX") under the symbol "VT".

### 3. SUMMARY AND ANALYSIS OF CONSOLIDATED RESULTS

Selected Consolidated Financial Information For the periods ended July 31 (in thousands - except percentages and per share amounts) (Unaudited)	Three Months		Better (Worse)	Nine Months		Better (Worse)
	2008	2007		2008	2007	
Sales and other operating revenues	\$ 2,218,229	\$ 1,400,183	\$ 818,046	\$ 5,060,748	\$ 2,249,266	\$ 2,811,482
Gross profit and net revenues from services	\$ 414,405	\$ 274,190	\$ 140,215	\$ 803,399	\$ 413,877	\$ 389,522
Operating, general and administrative expenses	(141,852)	(120,821)	(21,031)	(371,053)	(210,333)	(160,720)
EBITDA	272,553	153,369	119,184	432,346	203,544	228,802
Amortization	(25,585)	(15,763)	(9,822)	(76,606)	(30,659)	(45,947)
EBIT	246,968	137,606	109,362	355,740	172,885	182,855
Integration expenses	(2,225)	(8,234)	6,009	(12,264)	(8,952)	(3,312)
Recovery of (provision for) Pension Settlement	3,356	-	3,356	3,356	(5,000)	8,356
Gain (loss) on disposal of assets	(441)	32,609	(33,050)	1,469	32,753	(31,284)
Financing expenses	(8,370)	(14,813)	6,443	(31,514)	(19,843)	(11,671)
	239,288	147,168	92,120	316,787	171,843	144,944
Provision for corporate taxes						
Current portion	(6,889)	(5,427)	(1,462)	(15,515)	(5,427)	(10,088)
Future Portion	(65,687)	(43,206)	(22,481)	(59,780)	(50,763)	(9,017)
Net earnings	\$ 166,712	\$ 98,535	\$ 68,177	\$ 241,492	\$ 115,653	\$ 125,839
Earnings per share	\$ 0.71	\$ 0.58	\$ 0.13	\$ 1.13	\$ 1.05	\$ 0.08

Consolidated sales and other operating revenues for the third quarter of fiscal 2008 increased \$818.0 million to \$2.2 billion (2007 - \$1.4 billion), resulting in total sales and other operating revenues for the nine months ended July 31, 2008 of \$5.1 billion (2007 - \$2.2 billion). Stronger sales contributed to further improvements in gross margins, which rose to \$414.4 million for the third quarter of 2008, compared to \$274.2 million for the quarter ended July 31, 2007. For the nine months ended July 31, 2008, gross margins grew by \$389.5 million to \$803.4 million, compared to \$413.9 million in the same nine-month period in 2007. Quarter and year-to-date sales

and margins continued to benefit from strong commodity prices and solid contributions from Viterra's expanded network.

During the quarter, Viterra generated consolidated earnings before interest, taxes, amortization, gain (loss) on disposal of assets, integration expenses and recovery of (provision for) pension settlement ("EBITDA" – see Non-GAAP terms on page 33) of \$272.6 million, an increase of \$119.2 million compared to the same quarter of 2007. For the nine months ended July 31, 2008, EBITDA improved by \$228.8 million, rising to \$432.3 million compared to \$203.5 million for the same nine-month period in 2007. Higher margins in the Grain Handling and Marketing and Agri-products segments were the main reasons for improved earnings in 2008. Further information on segment performance is described in Section 4 "Segment Results".

Amortization for the nine months ended July 31, 2008 was \$76.6 million compared to \$30.7 million for the same nine-month period in 2007. The increase was largely the result of the additional AU assets which were revalued to their fair market value at the time of acquisition and are now being amortized based on their revised carrying costs.

Integration costs of \$2.2 million reflect severance, consulting and advisory costs, and other integration costs incurred by the Company for the quarter. Total integration costs for the nine months ended July 31, 2008 were \$12.3 million, compared to \$9.0 million for the same period in 2007. More detail on these costs has been included in Section 8, "Restructuring and Integration Matters".

Financing expenses of \$8.4 million for the quarter declined from the \$14.8 million expensed in same quarter of 2007. Financing expenses in last year's quarter reflect the higher debt levels and costs initially assumed on the AU purchase, which have since been refinanced or repaid from the sale of AU assets. For the nine months ended July 31, 2008, financing expenses increased by \$11.7 million over the same period of 2007. This increase reflects higher debt levels resulting from the AU purchase and more short-term borrowings due to higher working capital levels (see Section 6.3) in the current year. These items were partially offset this year by an interest recovery of \$6.3 million resulting from an appeal of a federal tax reassessment.

For the quarter ended July 31, 2008, the Company recorded a net recovery of \$3.4 million on its pension settlement. On July 1, 2008, the Company and the Grain Services Union ("GSU") finalized the settlement of the dispute surrounding the Saskatchewan Wheat Pool/GSU Pension Plan ("the Plan"). Under the terms of the settlement, Viterra accepts full responsibility for all benefits accrued under the Plan and for making all solvency deficiency payments, which may result in additional future expenses. In addition, active members stop accruing pensionable service and move to a defined contribution plan. Viterra becomes the sole administrator of the Plan and has sole discretion to wind-up the Plan. The Company reversed the previous \$20.0 million provision, (\$15.0 million was recorded in fiscal 2006 and \$5.0 million was taken in fiscal 2007 - see 2007 Annual Report) which reflected management's best estimate of the potential liability required to resolve the dispute at the time. The

initial \$16.6 million funding requirement has been expensed in the current period, with the net amount of \$3.4 million reflecting the net recovery on pension settlement for the quarter ended July 31, 2008. For further information, please refer to Note 8a) of the Notes to the Consolidated Financial Statements.

Viterra recorded a net corporate tax provision of \$72.6 million in the three-month period ended July 31, 2008, compared to a provision of \$48.6 million in the same period of 2007. For the nine months ended July 31, 2008, the Company's net tax provision was \$75.3 million. The net provision in 2008 includes:

- \$17.3 million for an adjustment to the Company's future tax balances as a result of the impact of federal tax reductions that were substantively enacted this year;
- A recovery of \$5.0 million for the successful appeal of a federal tax reassessment of its 1997 taxation year; and
- An additional \$1.8 million gain for the impact of the non-taxable portion of the related interest recovery.

Excluding the above adjustments, the effective tax rate on a year-to-date basis was 31.4%, compared to 32.7% for the same period last year. Due to Viterra's loss carry-forwards, current taxes largely reflect the current taxes of the Company's subsidiary operations and in the three-month period ended July 31, 2008, these increased by \$1.5 million to \$6.9 million.

Viterra's net earnings grew by \$68.2 million to \$166.7 million in the most recent quarter, relative to the same three-month period of 2007. Earnings per share for the third quarter were \$0.71 compared to \$0.58 per share in the same quarter last year. For the nine months ended July 31, 2008, net earnings improved by \$125.8 million to \$241.5 million, or \$1.13 per share, compared to earnings of \$115.7 million (\$1.05 per share) in the comparable period of 2007.

### 3.1 SELECT QUARTERLY INFORMATION

Select Quarterly Financial Information								
For the quarters ended								
(\$Millions - except per share amounts)								
(Unaudited)								
	July 31, 2008 Q3 <sup>3</sup>	April 30, 2008 Q2 <sup>3</sup>	January 31, 2008 Q1 <sup>3</sup>	October 31, 2007 Q5 <sup>3,4</sup>	July 31, 2007 Q4 <sup>4</sup>	April 30, 2007 Q3	January 31, 2007 Q2	October 31, 2007 Q1
Sales and other operating revenues	\$ 2,218.2	\$ 1,525.4	\$ 1,317.1	\$ 1,285.9	\$ 1,400.2	\$ 401.5	\$ 447.6	\$ 340.6
<sup>1</sup> Earnings (loss) from continuing operations	\$ 166.7	\$ 33.6	\$ 41.2	\$ 0.9	\$ 98.5	\$ 9.2	\$ 7.9	\$ (5.1)
<sup>1</sup> Earnings (loss) from continuing operations per share Basic and diluted	\$ 0.71	\$ 0.16	\$ 0.20	\$ -	\$ 0.58	\$ 0.10	\$ 0.09	\$ (0.06)
Net earnings (loss)	\$ 166.7	\$ 33.6	\$ 41.2	\$ 0.9	\$ 98.5	\$ 9.2	\$ 7.9	\$ (5.1)
Earnings (loss) per share (basic and diluted)	\$ 0.71	\$ 0.16	\$ 0.20	\$ -	\$ 0.58	\$ 0.10	\$ 0.09	\$ (0.06)

<sup>1</sup> Before discontinued operations

<sup>2</sup> Includes consolidation of results of AU from May 29, 2007, the date of acquisition

<sup>3</sup> Includes consolidation of results of AU for the entire quarter

<sup>4</sup> As restated, See Note 12 of Consolidated Financial Statements

The Company's earnings follow the seasonal pattern of prairie grain production. Activity peaks in the spring as new crops are sown and in the fall as mature crops are harvested. The volume of grain shipments are relatively stable through the quarters,

but can be influenced by destination customer demand, the Canadian Wheat Board's ("CWB") export program, and producers' marketing decisions. Sales of Viterra's Agri-products peak in May through July, corresponding with the growing season, supplemented by additional crop nutrient sales in the late fall. Although relatively steady throughout the year, sales in the Livestock Feed and Services segment tend to peak during the winter months as feed consumption increases. In the Agri-food business, earnings are more fluid with continuous demand for products throughout each quarter. Financial Products agency fees follow the related pattern of sales in the underlying activity in Agri-products and Livestock Feed and Services segments.

#### 4. SEGMENT RESULTS

##### 4.1 GRAIN HANDLING AND MARKETING

In the Grain Handling and Marketing segment, Viterra actively buys grain and oilseeds from farm customers throughout the year. Viterra tests the commodities for quality and cleans, dries and blends them in preparation for shipping. Viterra earns a margin for these services. Volumes, quality and export demand are key drivers in this business. Viterra markets non-CWB grains and oilseeds directly to destination customers and buys and sells Canadian Wheat Board grains as an Agent and Accredited Exporter of the CWB. The level of shipments each quarter depends on demand from destination customers, the CWB export program and producer marketing decisions, which are driven by commodity price expectations, harvest pressures and cash flow requirements.

Grain Handling and Marketing For the periods ended July 31 (in thousands - except percentages & margins) (Unaudited)		Three Months		Better (Worse)	Nine Months		Better (Worse)
		2008	2007		2008	2007	
Gross profit and net revenues from services	\$	127,186	\$ 112,051	\$ 15,135	\$ 364,930	\$ 205,074	\$ 159,856
Operating, general and administrative expenses		(48,590)	(48,753)	163	(135,724)	(96,791)	(38,933)
EBITDA		78,596	63,298	15,298	229,206	108,283	120,923
Amortization		(9,861)	(7,294)	(2,567)	(30,464)	(13,739)	(16,725)
EBIT	\$	68,735	\$ 56,004	\$ 12,731	\$ 198,742	\$ 94,544	\$ 104,198
Operating Highlights							
Total sales and other operating revenue	\$	983,594	\$ 707,523	\$ 276,071	\$ 3,116,780	\$ 1,315,764	\$ 1,801,016
[A] Industry receipts - six major grains (tonnes)		7,458	9,113	(18.2%)	22,821	24,610	(7.3%)
[B] Industry shipments - six major grains (tonnes)		7,502	8,990	(16.6%)	23,237	24,891	(6.6%)
[C] Primary Elevator Receipts (tonnes) *		3,318	3,777	(12.2%)	9,929	7,520	32.0%
Primary Elevator Shipments (tonnes)		3,690	4,063	(9.2%)	11,233	8,124	38.3%
[D] Six Major Grains		3,443	4,011	(14.2%)	10,340	7,960	29.9%
[E] Industry terminal handle - six major grains (tonnes)		4,934	6,190	(20.3%)	14,810	16,209	(8.6%)
[F] Port Terminal receipts (tonnes)		1,597	2,467	(35.3%)	5,636	4,997	12.8%
Vancouver		622	1,118	(44.4%)	2,955	2,588	14.2%
Thunder Bay		703	926	(24.1%)	1,462	1,407	3.9%
Prince Rupert Grain (Company share)		272	423	(35.7%)	1,219	1,002	21.7%
Market share (%) - Country Receipts *	[C]/[A]	44.5%	41.4%	3.1 pt	43.5%	30.6%	12.9 pt
Market share (%) - Shipments *	[D]/[B]	45.9%	44.6%	1.3 pt	44.5%	32.0%	12.5 pt
Margin (\$ per grain tonne shipped)	\$	34.47	\$ 27.58	25.0%	\$ 32.49	\$ 25.24	28.7%
Licensed storage capacity (tonnes) **							
- Industry		5,268	5,196	1.4%	5,270	5,196	1.4%
- Company		1,834	1,264	45.1%	1,881	1,132	66.2%
Inventory turns (shipments divided by capacity)							
- Industry		5.70 x	6.92 x	(1.22 pt)	5.88 x	6.39 x	(0.51 pt)
- Company		8.05 x	12.86 x	(4.81 pt)	7.96 x	9.57 x	(1.61 pt)

\* Represents six major grains

\*\* Based on licenced storage reported at August 1, 2006 and December 28, 2007 by the Canadian Grain Commission, adjusted for recent business expansions and closures.

#### **4.1.1 Industry Shipments**

Shipments in any given fiscal year are dependant primarily on production levels and carry-out stocks from the prior year. Production of the six major grains in 2007 declined by an estimated 2.5% from 2006 production levels. As well, fewer carry-out stocks were available this fiscal year. As a result, industry shipments for the quarter and nine months ended July 31, 2008 declined by 16.6% and 6.6%, respectively.

#### **4.1.2 Viterra Shipments**

Viterra's shipments for the quarter ended July 31, 2008 were 3.7 million tonnes, bringing total Company shipments to 11.2 million tonnes for the nine months ended July 31, 2008. The variance in Company shipments over the prior quarter and year-to-date periods appears more favourable than those experienced by the industry. However, the Company's 2007 shipments are not comparable to those in the current year since they exclude shipments from AU before May 29, 2007, and include June shipments associated with those sites later sold to Cargill Limited ("Cargill") and James Richardson International ("JRI") on June 30, 2007.

A more relevant measure of the Company's performance in this segment relative to the industry is Viterra's market share. Viterra determines its market share based on primary elevator receipts and as noted in the Company's 2007 Annual Report, market share following the integration of AU was expected to normalize at about 42% (on the six major grains). Market share for the third quarter of 2008 was 44.5% and for the nine months was 43.5%, slightly ahead of target. Higher market share in the third quarter reflects improved market share for CWB grains handled in the three months ended July 31, 2008.

Approximately 56% of the Company's shipments were CWB grains in the third quarter of 2008, compared to 55% in the same three-month period of 2007. Higher CWB shipments in the most recent quarter were offset by stronger movement of non-CWB grains in the early part of the year, bringing the year-to-date split between CWB and non-CWB grains to 47:53 (2007 - 56:44).

Lower year-to-date CWB exports of wheat and durum contributed to a decline in the industry's port terminal receipts of 20.3% and 8.6% for the third quarter and nine months ended July 31, 2008, respectively.

Viterra's port terminal receipts declined by 35.3% for the quarter, primarily due to the decline in terminal handling receipts experienced by the industry. In addition, last year's results included receipts from port terminal assets that were subsequently sold, as well as only one month of receipts from Viterra's increased ownership interest in the Cascadia Terminal in Vancouver.

Viterra's year-to-date port terminal handling volumes were up 12.8% or 639,000 tonnes, which reflects the Company's increased market share and expanded country elevator capacity. This increase was partly offset by lower overall industry receipts

as well as the impact of a decision by the CWB to divert Viterro originated grain to Alliance Grain Terminal in Vancouver resulting in lost pipeline efficiencies, lower terminal volumes and revenue.

Gross margin per tonne of \$34.47 for the third quarter of 2008 compares to \$27.58 per tonne in the same quarter a year ago. This increase reflects additional operational efficiencies in the pipeline related to handling, cleaning, drying, freight incentives, and blending. In addition, strong underlying commodity values have amplified the benefit of the Company's blending gains. The cumulative value of these gains are higher than in prior years as a result of the increased volumes flowing through the Company's expanded network.

As well, incremental earnings associated with the Company's interest in Prince Rupert Grain were \$3.9 million for the third quarter (or \$1.06 per tonne).

For the nine months ended July 31, 2008, gross margin per tonne was \$32.22 after excluding a \$3.0 million one-time insurance recovery related to a prior period claim. This increase over 2007 includes:

- approximately \$1.50 per tonne of synergies resulting from efficiencies achieved through the combination of the Saskatchewan Wheat Pool and AU, including the leveraging of the Company's logistics expertise to take advantage of rail efficiencies and ocean freight opportunities,
- inventory management improvements,
- unprecedented commodity price increases which have accentuated blending gains, and
- higher merchandising gains associated with the Company's management of non-CWB grain, together with incremental margins generated from the Company's handling of special crops.

The Company's share of Prince Rupert Grain contributed incremental earnings of \$7.2 million (\$0.64 per tonne) for the nine months ended July 31, 2008.

Select commodity prices are provided below to illustrate the magnitude of price increases during the quarter and over the last nine month period.

Select Commodity Prices 2008 Fiscal Year Per Tonne	Three Months			Nine Months		
	Opening	Closing	Increase (Decrease)	Opening	Closing	Increase (Decrease)
	30-Apr 2008	31-Jul 2008		31-Oct 2007	31-Jul 2008	
Feed Wheat	\$ 266.39	\$ 239.94	\$ (26.45)	\$ 176.00	\$ 239.94	\$ 63.94
Feed Barley	\$ 240.50	\$ 241.90	\$ 1.40	\$ 188.50	\$ 241.90	\$ 53.40
Oats (priced in U.S.Dollars)	\$ 248.34	\$ 257.42	\$ 9.08	\$ 208.58	\$ 257.42	\$ 48.84
Flax	\$ 649.57	\$ 767.68	\$ 118.11	\$ 492.10	\$ 767.68	\$ 275.58
Canola	\$ 623.10	\$ 608.60	\$ (14.50)	\$ 449.70	\$ 608.60	\$ 158.90
Peas	\$ 358.25	\$ 316.00	\$ (42.25)	\$ 248.02	\$ 316.00	\$ 67.98
Yellow Mustard	\$ 1,212.54	\$ 1,212.54	\$ -	\$ 992.08	\$ 1,212.54	\$ 220.46

Select Commodity Prices 2007 Fiscal Year Per Tonne	Three Months			Nine Months		
	Opening	Closing	Increase (Decrease)	Opening	Closing	Increase (Decrease)
	30-Apr 2007	31-Jul 2007		31-Oct 2006	31-Jul 2007	
Feed Wheat	\$ 173.00	\$ 171.00	\$ (2.00)	\$ 137.50	\$ 171.00	\$ 33.50
Feed Barley	\$ 185.10	\$ 171.00	\$ (14.10)	\$ 153.10	\$ 171.00	\$ 17.90
Oats (priced in U.S.Dollars)	\$ 192.58	\$ 176.21	\$ (16.37)	\$ 181.88	\$ 176.21	\$ (5.67)
Flax	\$ 295.26	\$ 324.79	\$ 29.53	\$ 230.30	\$ 324.79	\$ 94.49
Canola	\$ 392.80	\$ 414.00	\$ 21.20	\$ 351.50	\$ 414.00	\$ 62.50
Peas	\$ 257.21	\$ 233.32	\$ (23.89)	\$ 163.51	\$ 233.32	\$ 69.81
Yellow Mustard	\$ 507.06	\$ 529.11	\$ 22.05	\$ 396.83	\$ 529.11	\$ 132.28

Source: Company Reports

With higher commodity prices, the marketplace has had to adapt to significantly higher working capital financing costs (see discussion of Non-Cash Working Capital Analysis in Section 6.3). For example, as illustrated in the table above, canola prices had risen to \$608.60 per tonne at July 31, 2008, compared to \$414.00 per tonne at the same time in 2007. The resulting \$194.60 per tonne increase in commodity values, assuming a 7% financing charge, requires an additional spread of \$1.14/tonne per month. Additional margins earned to cover these costs are included in the segment results, however the additional interest costs are only reflected at the consolidated level as part of Viterra's overall financing expenses.

Operating, general and administrative ("OG&A") expenses for the Grain Handling and Marketing segment declined by \$163,000 for the third quarter and increased \$38.9 million for the nine months ended July 31, 2008, relative to the comparable periods of the prior year. Higher OG&A costs for the current year are primarily a result of incremental wages, salaries, benefits, insurance, utilities, and other facilities costs associated with the expanded grain elevator network. A portion of the increased costs also represents additional costs necessary to support the combined operations of the Company as it completed its integration efforts. The Company expects to phase out these additional costs over the next three months. OG&A expenses were down in the third quarter compared to the same three-month period of 2007, despite \$2.8 million of additional wages, salaries and benefit costs for the Company's new employee share purchase plan and short-term incentive accruals recognized in the most recent quarter.

Strong grain handling volumes and margins, together with modestly lower OG&A expenses, resulted in EBITDA of \$78.6 million for the third quarter of 2008, compared to \$63.3 million in the same period last year, an increase of \$15.3 million.

For the nine months ended July 31, 2008, EBITDA improved by \$120.9 million to \$229.2 million compared to \$108.3 million for the same nine-month period of 2007.

## 4.2 AGRI-PRODUCTS

Agri-products For the periods ended July 31 (in thousands - except percentages) (Unaudited)	Three Months		Better (Worse)	Nine Months		Better (Worse)
	2008	2007		2008	2007	
Gross profit and net revenues from services	\$ 255,444	\$ 142,923	\$ 112,521	\$ 347,824	\$ 177,197	\$ 170,627
Operating, general and administrative expenses	(53,054)	(40,917)	(12,137)	(114,994)	(62,378)	(52,616)
EBITDA	202,390	102,006	100,384	232,830	114,819	118,011
Amortization	(11,401)	(5,218)	(6,183)	(33,967)	(10,766)	(23,201)
EBIT	\$ 190,989	\$ 96,788	\$ 94,201	\$ 198,863	\$ 104,053	\$ 94,810
Operating Highlights						
Sales and other operating revenues	\$ 1,009,789	\$ 588,343	\$ 421,446	\$ 1,378,206	\$ 761,786	\$ 616,420
Fertilizer *	\$ 521,568	\$ 224,227	\$ 297,341	\$ 783,857	\$ 348,353	\$ 435,504
Crop Protection	\$ 346,741	\$ 304,098	\$ 42,643	\$ 375,819	\$ 316,236	\$ 59,583
Seed	\$ 112,536	\$ 34,674	\$ 77,862	\$ 172,887	\$ 64,085	\$ 108,802
Equipment sales and other revenue	\$ 28,944	\$ 25,344	\$ 3,600	\$ 45,643	\$ 33,112	\$ 12,531
Margin (% of Sales)	25.3%	24.3%	1.0 pt	25.2%	23.3%	1.9 pt

\* Consolidated sales from retail operations and WCFL.

Retail sales of agri-products are seasonal and correlate directly to the life cycle of the crop, with more than 75% of the segment's annual sales and earnings typically generated between mid-April and the end of June, when producers purchase their crop inputs: seed, fertilizer and crop protection products. During the first two quarters, Viterra focuses on providing its customer base with planning, agronomic and customized solutions in preparation for the next year's crop. Viterra also works with suppliers to position product and inventories in advance of the intense spring selling period.

With the acquisition of AU, Viterra expanded its retail facility network from 100 to 276 facilities and acquired an additional 57% ownership in Westco, becoming the sole owner of this fertilizer wholesaler and manufacturer. With the integration and consolidation of the agri-product network virtually complete, Viterra now operates 251 retail facilities.

Sales and other operating revenues for the Agri-products segment during the third quarter were up significantly from the prior year, increasing by \$421.5 million to \$1.0 billion compared to \$588.3 million for the same three-month period of the prior year. However, sales for the quarter ended July 31, 2007 exclude pre-acquisition sales attributable to AU for May 2007, which is the largest seed and fertilizer sales month in the quarter. For the nine months ended July 31, 2008, total sales and other operating revenues increased by \$616.4 million to \$1.4 billion compared to \$761.8 million for the same nine-month period of the prior year.

Fertilizer sales increased by \$297.4 million in the third quarter to \$521.6 million (and increased by \$435.5 million to \$783.9 million for the nine months ended July 31, 2008). Viterra's larger retail network, higher fertilizer prices and additional volumes all contributed to this increase. Fertilizer prices strengthened due to tight world supplies, significant reductions in exports from China and heightened demand from India, Brazil, and the U.S. Domestically, higher commodity prices drove greater

demand as producers purchased additional volumes to maximize the yield potential of their crops.

Seed sales during the third quarter were \$112.5 million, an increase of \$77.8 million over the \$34.7 million reported in the three months ended July 31, 2007. Sales increases reflect higher selling prices for cereal seed (a factor of higher commodity prices), and canola seed (a factor of increased demand for hybrid varieties and an increase in canola acres), offset by lower forage sales (due to a reduction in forage acreage). These increases were partially offset by lower than expected sales in the second quarter of 2008, when colder weather in April delayed the timing of the spring season. On a year-to-date basis, total seed sales for 2008 grew by \$108.8 million to \$172.9 million.

Sales of the Company's crop protection products increased \$42.6 million in the third quarter driven by favourable growing conditions in the most recent quarter, combined with high commodity prices, which encouraged producers to increase their crop protection application this season. Higher sales were also a result of significant price increases this year for some crop protection products, particularly glyphosates (herbicides used to control weeds), due to global supply and demand pressures.

The \$3.6 million increase in equipment sales and other revenue for the third quarter (\$12.5 million for the nine months ending July 31, 2008) reflects the Company's strong fertilizer sales as producers increased their on-farm fertilizer bin purchases to manage the storage of their products. Higher custom application and NH<sub>3</sub>-related services revenue also contributed to the increase.

Gross margins were \$255.4 million for the third quarter of 2008 and \$347.8 million for the nine months ended July 31, 2008, compared to \$142.9 million and \$177.2 million for the respective comparable periods of the prior year. Stronger sales, incremental earnings associated with the additional ownership interest in Westco, improved fertilizer margins realized on inventory appreciation, and higher crop protection margins (which also reflect a component of inventory appreciation in the earlier part of the fiscal year), offset in part by seed inventory write-downs (a factor of retired varieties) were the primary factors for Viterra's year-to-date performance.

OG&A expenses increased by \$12.1 million for the third quarter of 2008, to \$53.1 million and by \$52.6 million for the nine months ended July 31, 2008 to \$115.0 million. Incremental expenses for salaries, insurance, utilities, facilities and other variable costs associated with the expanded facility network, together with additional expenses attributable to the increased ownership interest in Westco accounted for most of this increase. OG&A expenses were up in the third quarter compared to the prior quarter due mainly to the exclusion of AU's May OG&A expenses in 2007 and additional salary accruals associated with the Company's short-term incentive plans.

Higher gross profit in the third quarter significantly exceeded higher OG&A expenses and contributed to EBITDA of \$202.4 million, an increase of \$100.4 million over the same period of 2007. For the nine months ended July 31, 2008, EBITDA increased by

\$118.0 million to \$232.8 million, reflecting the Company's strong third quarter performance.

### 4.3 AGRI-FOOD PROCESSING

Agri-food Processing For the periods ended July 31 (In thousands - except percentages and margins) (Unaudited)	Three Months		Better (Worse)	Nine Months		Better (Worse)
	2008	2007		2008	2007	
Gross profit and net revenues from services	\$ 10,103	\$ 6,157	\$ 3,946	\$ 27,530	\$ 18,547	\$ 8,983
Operating, general and administrative expenses	(1,728)	(2,901)	1,173	(5,641)	(6,370)	729
EBITDA	8,375	3,256	5,119	21,889	12,177	9,712
Amortization	(1,501)	(1,557)	56	(4,390)	(4,460)	70
EBIT	\$ 6,874	\$ 1,699	\$ 5,175	\$ 17,499	\$ 7,717	\$ 9,782
Operating Highlights						
Sales and other operating revenues	\$ 48,915	\$ 44,142	10.8%	\$ 144,125	\$ 117,590	22.6%
Tonnes Sold	80	87	(8.0%)	250	236	5.9%
Margin per Tonne	\$ 126.29	\$ 70.77	78.5%	\$ 110.12	\$ 78.59	40.1%

Viterra's significant interests in Agri-food Processing include wholly-owned Can-Oat, the world's largest industrial oat miller, with plants in Portage la Prairie, Manitoba, Martensville, Saskatchewan, and Barrhead, Alberta, and a 42.4% interest in Prairie Malt Limited, a single-site malting plant located at Biggar, Saskatchewan.

Can-Oat is an established market leader in industrial oat supply and the supplier of choice for many North American food manufacturers. For the oat milling business, yield is a significant factor in profitability. In an average year, it takes 1.6 tonnes of raw oats to produce one tonne of oat ingredients. The quality of raw oats has the largest impact on yield. Oats are priced in U.S. dollars and the world feed grain market predominantly drives prices. The price of finished goods moves up and down with the price of oats. A strong Canadian dollar can create foreign exchange challenges thus currency hedging practices are important to protect margins.

In Viterra's malt business, reliable quality is a key factor in maintaining sales relationships with international customers. Only high-quality malt barley is selected for the malting process so crop quality can affect supply and increase production costs. For Prairie Malt, energy consumption, labour and yield maximization (the amount of malt produced from a tonne of barley) are key production drivers. Natural gas is also a key factor in production thus rising gas prices can affect margins. Since sales are priced in U.S. dollars, Prairie Malt reduces the impact of foreign currency fluctuations by engaging in currency hedging activities.

Sales in the Agri-food Processing segment for the quarter were \$48.9 million, up 10.8% from the comparable period of 2007. For the nine months ended July 31, 2008, sales increased by 22.6% to \$144.1 million compared to \$117.6 million for the same period of 2007. The improvements were due to stronger sales in both Prairie Malt and Can-Oat, with greater demand for both companies' products.

Gross margins in the third quarter of 2008 improved by \$3.9 million to \$10.1 million compared to the same three-month period of 2007. For the nine months ended July 31, 2008, gross margins increased by \$9.0 million compared to the same period of 2007. Effective November 1, 2007, Can-Oat "dedesignated" all of its foreign exchange contracts previously accounted for as hedges, such that gains or losses

arising from marked to market adjustments since November 1, 2007 are recognized in income. The marked to market adjustments for foreign exchange and commodity prices resulted in the recognition of a \$0.3 million gain in Can-Oat's gross margins in the quarter. For the nine months ended July 31, 2008, total marked to market adjustments and realized gains amounted to a \$2.5 million charge to gross margins.

Excluding the above marked to market adjustment, operating margins otherwise improved by \$3.6 million in the quarter, and \$11.5 million for the nine months ended July 31, 2008. Prairie Malt continued to benefit from improved margins through the quarter due to higher selling prices. This benefit is expected to taper off as newer inventory purchases are now based on higher priced product. Can-Oat's margins also improved through the third quarter due to higher sales volumes and more favorable yields. Can-Oat's yield factor for the third quarter was 1.617, compared to 1.664 in the same quarter of 2007. This reflects a 2.8% reduction in the amount of raw oat tonnes used in its production which in turn contributed to higher margins.

OG&A expenses were down \$1.2 million in the third quarter of 2008, compared to the same three-month period of 2007. For the nine months ended July 31, 2008, total OG&A costs were lower by \$0.7 million (11.4%) over the same period of the prior year. The decrease in the quarter and nine-month OG&A expenses reflects lower administrative expenses at Can-Oat.

Segment EBITDA was \$8.4 million for the third quarter, up \$5.1 million from the same period last year. On a year-to-date basis, EBITDA of \$21.9 million improved by \$9.7 million to the end of July 2008 compared to the same period of 2007. Improvements in EBITDA were largely a result of improved sales, margins, and lower OG&A costs, offset by foreign exchange losses.

#### 4.4 LIVESTOCK FEED AND SERVICES

Livestock Feed and Services For the periods ended July 31 (In thousands - except percentages and margins) (Unaudited)	Three Months		Better (Worse)	Nine Months		Better (Worse)
	2008	2007		2008	2007	
Gross profit and net revenues from services	\$ 17,605	\$ 10,841	\$ 6,764	\$ 54,988	\$ 10,841	\$ 44,147
Operating, general and administrative expenses	(18,022)	(7,914)	(10,108)	(53,154)	(7,914)	(45,240)
EBITDA	(417)	2,927	(3,344)	1,834	2,927	(1,093)
Amortization	(2,737)	(1,058)	(1,679)	(7,435)	(1,058)	(6,377)
EBIT	\$ (3,154)	\$ 1,869	\$ (5,023)	\$ (5,601)	\$ 1,869	\$ (7,470)
Operating Highlights						
Feed sales (tonnes)	517	253	104.3%	1,386	253	447.8%
Feed sales and other operating revenues	\$ 178,134	\$ 66,227	169.0%	\$ 421,148	\$ 66,227	535.9%
Non-feed sales and other operating revenues	\$ 5,652	\$ 7,203	(1,551)	\$ 23,048	\$ 7,203	\$ 15,845
Feed margin (\$ per feed tonne sold)	\$ 42.42	\$ 38.94	8.9%	\$ 44.48	\$ 38.94	14.2%
Non-feed gross profit & net revenue from services	\$ (4,327)	\$ 989	(5,316)	\$ (6,665)	\$ 989	\$ (7,654)

This division represents a new reporting segment for the Company following the acquisition of AU. The segment formulates and manufactures feed for swine, dairy and beef cattle, poultry and other specialty feeds from six feed mills and three pre-mix facilities across Western Canada and at six feed mill locations in Texas, New Mexico and Oklahoma in the U.S. The key driver in the profitability of feed manufacturing is feed tonne volumes, since feed sales prices typically fluctuate in response to the underlying cost of ingredients. Margins remain relatively consistent year-over-year, with average annualized margins of about \$41 to \$43 per tonne.

However, there can be some seasonal variability in the U.S. market, with lower margins generated in the spring when the sales product mix shifts to lower margin products aimed at commercial feedlots.

This segment also engages in a number of value-added services to complement its manufacture, sale and distribution of feed products and to enhance its relationships with livestock customers. These include financial services, nutritional consulting, farm operation consulting, ingredient forward contracting services and swine marketing on behalf of livestock producers. In addition, non-feed profits include the Company's equity investment in the Puratone Corporation ("Puratone"). Profitability from swine sales and Puratone follow the underlying movements in hog prices.

Feed sales of \$421.1 million (\$303.86 per tonne) for the nine months ended July 31, 2008 reflect sales values associated with increasing commodity prices. This compares with feed sales of \$66.2 million (\$261.77 per tonne) in the prior year, which only reflect sales in June and July (post acquisition of AU).

Gross profit on feed for the quarter was \$21.9 million (\$42.42 per tonne), aligned with expectations, compared to \$9.9 million in the prior comparable period of 2007 (which excludes results prior to May 29, 2007). Higher gross profit in the most recent three-month period is primarily a result of higher volumes attributable to the Company's acquisitions of:

- Sunrise Feeds LLC ("Sunrise"), a U.S. manufacturer and retailer of beef, horse and other animal feed and pasture supplements which closed on March 3, 2008,
- V-S Feed and Agri-Supplies Ltd. ("V-S Feed") in Alberta which closed April 7, 2008,
- Gore Bros., Inc. and Gore's Trucking, Inc. which closed on April 28, 2008.

For the nine months ended July 31, 2008, gross profit on feed was \$44.48 per tonne, which reflects stronger performance in the first half of the fiscal year when the Company achieved higher margin opportunities as a result of escalating commodity markets and shifts in product mix which favored higher margin products.

Segment results also include a \$6.7 million loss in non-feed gross profit for the nine months ended July 31, 2008 (\$4.3 million for the quarter), which reflects a \$3.2 million loss attributable to the Company's equity share in Puratone, and operating losses in Company sponsored hog programs. The loss in Puratone reflects the continuing downturn in the hog cycle and stronger Canadian dollar, which contributed to weaker hog markets.

Weaker hog markets also contributed to a \$0.5 million write-down in this segment in the current quarter. After accounting for these charges, OG&A expenses for the quarter were \$17.5 million, in line with expectations. Together with earlier write-downs taken in the second quarter, OG&A expenses for the nine months ended July 31, 2008 include \$7.0 million of expenses related to the Company's exit from the hog

business. These include write-downs on receivables and hog inventory and provisions for ongoing lease obligations on certain hog barns.

The EBITDA loss for the quarter was \$0.4 million. For the nine months ended July 31, 2008, EBITDA was \$1.8 million (after the provisions and write-downs taken during the year). EBITDA from the feed milling operations for the nine-month period ended July 31, 2008 (excluding non-feed losses and write-downs) was \$21.5 million.

#### 4.5 FINANCIAL PRODUCTS

Financial Products For the periods ended July 31 (in thousands) (Unaudited)	Three Months			Nine Months		
	2008	2007	Better (Worse)	2008	2007	Better (Worse)
Gross profit and net revenues from services	\$ 4,067	\$ 2,218	\$ 1,849	\$ 8,127	\$ 2,218	\$ 5,909
Operating, general and administrative expenses	(1,051)	(1,539)	488	(3,188)	(1,539)	(1,649)
EBITDA	3,016	679	2,337	4,939	679	4,260
Amortization	(105)	(100)	(5)	(315)	(100)	(215)
EBIT	\$ 2,911	\$ 579	\$ 2,332	\$ 4,624	\$ 579	\$ 4,045
Total sales and revenues from services	\$ 4,067	\$ 2,248	80.9%	\$ 8,127	\$ 2,248	261.5%

Through both Viterra Financial™ and Unifeed Financial®, the Company acts as an agent of a Canadian Schedule I chartered bank. Viterra Financial extends unsecured trade credit at competitive rates to the Company’s Agri-products customers. Unifeed Financial offers secured loans to customers to purchase feeder cattle and feeder hogs, as well as related feed inputs, with terms that do not require payment until the livestock is sold. The Company directly manages the customer relationship and receives a fee for performing front-end credit reviews and management services. In addition to these credit programs, this segment also offers other ancillary financial and risk management products to producers.

The profitability of this segment relates to the level, duration and quality of credit in a given period, which, in turn, is influenced by crop input and feed prices, farm income levels, and interest rates.

As a new operating segment of the Company following the acquisition of AU, gross profit for the first quarter of 2008 primarily represented earnings associated with credit to former AU customers. Previous credit arrangements for Saskatchewan Wheat Pool agri-products customers were advanced through Farm Credit Canada (“FCC”). On February 4, 2008, the outstanding credit receivables owned by FCC were sold to a Canadian Schedule I chartered bank. As such, performance in the second and third quarter reflects the results of operations with respect to credit advanced to all participating Viterra customers.

Results for this segment have some component of seasonality. The third quarter reflects the period in which accounts are typically at their highest during the year due to significant producer purchases in April through June. Gross profit of \$4.1 million for the three months ended July 31, 2008, increased by \$1.8 million compared to the same period last year because of a larger portfolio value in 2008, a result of the expanded credit base and higher sales values this year compared to the prior year. For the nine months ended July 31, 2008, gross profit was \$8.1 million compared to

\$2.2 million in the prior year. Prior year results only represent earnings from this segment since May 29, 2007.

OG&A expenses of \$1.1 million declined by \$488,000 in the third quarter of 2008 compared to the same period of 2007. Current period results include a bad debt recovery of \$1.0 million. In addition, prior year results exclude OG&A expenses for May 2007.

Higher gross profit, together with lower OG&A expenses this quarter, contributed to EBITDA of \$3.0 million in the third quarter of 2008 and \$4.9 million for the nine months ended July 31, 2008.

#### 4.6 CORPORATE EXPENSES

Corporate Expenses For the periods ended July 31 (in thousands) (Unaudited)	Three Months		Better (Worse)	Nine Months		Better (Worse)
	2008	2007		2008	2007	
Operating, general and administrative expenses	\$ (19,407)	\$ (18,797)	\$ (610)	\$ (58,352)	\$ (35,341)	\$ (23,011)
Amortization	20	(536)	556	(35)	(536)	501
<b>EBIT</b>	<b>\$ (19,387)</b>	<b>\$ (19,333)</b>	<b>\$ (54)</b>	<b>\$ (58,387)</b>	<b>\$ (35,877)</b>	<b>\$ (22,510)</b>

On a year-to-date basis, OG&A expenses increased by \$23.0 million over the comparable period of 2007, which excluded corporate expenses of AU prior to May 29, 2007. Corporate expense for the current quarter reflect higher benefit costs associated with the impact of the Company's operating performance and stock price on its short-term and long-term incentive plans, additional salary costs for senior management personnel who have been hired to lead the growth initiatives of the Company, and increased office and administration costs. Despite these increases in the current quarter (and the absence of AU's corporate expenses for the month May 2007), the Company's integration efforts have started to be reflected in current period results.

## 5. OUTLOOK

*In addition to other sections of the Company's report, this section contains forward-looking information and actual outcomes may differ materially from those expressed or implied therein. For more information, please see "Forward-Looking Information" on page 34 of this report.*

For the fourth quarter of 2008, management expects to ship a higher proportion of non-CWB to CWB grains. Based on this, along with strong performance to date, management believes that its annualized margins will average between \$30 to \$32 for fiscal 2008. Margins for fiscal 2009 will be dependent upon the size and quality of this fall's Canadian harvest, commodity price volatility and continued strong worldwide demand for Canadian grains and oilseeds.

On September 1, Viterra opened a new office in Singapore, which will be a key component of the Company's international growth platform and will serve as its regional trading hub for Asia. In addition to improving access to destination customers, Viterra intends to pursue new value-added opportunities and relationships to extend its pipeline in this region.

Harvest of the 2008 crop is progressing slower than anticipated due to the wet, cool conditions across the Prairies and based on last week's crop reports was a few weeks behind when compared with 2007. Early samples on peas show that 96% of the pea crop harvested to date in Saskatchewan will fall into the top two grades, compared to a 10-year average of 83%. With 10% of the spring wheat crop harvested, crop reporters estimate that 70% will grade No.1 Canada Western (CW) and 23% will grade No.2 CW. The 10-year crop report average is 46% No. 1 CW and 23% No. 2 CW. Although it is still early to comment on overall crop quality, based on these reports, together with early indications on harvested canola, oats, barley and wheat, the Company currently anticipates the overall quality of the 2008 crop to be average, barring any major weather events prior to the completion of harvest.

Production is expected to increase in each of the Prairie provinces relative to last year. The increased production, along with average quality, would be favourable for Viterra for the 2009 fiscal year. Actual handling volume will still be dependent on CWB marketing, demand for Canadian products, and weather events that could effect the quality of the 2008 crop.

Due to higher commodity prices in 2008, it is anticipated that producer deliveries will be strong throughout the 2008/09 crop year. Initial CWB export projections estimate about 15.3 million tonnes of wheat, durum and barley will be marketed in the 2008/09 crop year (August 1, 2008 to July, 31 2009), compared to 17.3 million tonnes in 2007/08. However, subject to final production numbers and demand requirements from importing countries, increased marketings of non-CWB grains are expected to more than offset potential declines in CWB grains. As well, depending on the quality of the Canadian crop as well as the quality and supply of competing countries, management believes there is potential upside to the CWB estimates.

Strong worldwide demand and the recent announcement by the Chinese government to increase their export tariff on urea (nitrogen fertilizer) from 135% to 185% is expected to put upward pressure on prices through the latter part of this year. As urea sales represent a significant product line of the Company, this could influence sales levels in the fourth quarter of 2008 and first quarter of 2009. However, fertilizer sales will also depend on weather conditions and continuing strong grain and oilseed prices. For example, a late harvest or early frost could affect the timing and extent of producers' fall fertilizer application and post harvest crop protection product applications. Additionally, if fertilizer prices continue to rise but commodity prices soften, producers may either elect to divert acres to crops requiring fewer nutrients or reduce application rates on lower return crops, which could affect fall purchases for next spring's applications.

Weather could also influence the level of crop production sales in the fourth quarter. Cool or wet weather conditions could contribute to higher than normal pre-harvest usage of herbicides to help the crop mature in a timely fashion. Conversely, hot, drier weather conditions would allow the crop to safely mature on its own and negatively affect some crop protection product sales.

As at July 31, 2008, the Company had \$89.5 million in producer pre-payments on deposit for the fall season, an increase of about \$86.6 million over the prior year reflecting producer's commitments to fall agri-product purchases.

Viterra has been engaged in collective bargaining with the Grain Services Union ("GSU") in relation to its Saskatchewan Maintenance and Operations and Regina Office employees and its employees in the Alberta and Manitoba facilities under the AgPro name, since November 2007. After months of negotiation and with little progress made through a 60-day conciliation process, the Company served notice to the GSU that it was implementing its final contract offer for the affected bargaining units, as part of a rotating lock-out. The GSU then advised the Company that members of the Offices bargaining Unit would withdraw their services and Saskatchewan Country and Operations Unit employees would report for their normal shifts but were encouraged to only work overtime on a voluntary basis. The Company has since implemented its contingency plans at the Regina Office, and to date, the strike action has had minimal impact on operations. Approximately 25% of affected Office employees have chosen to return to work under the Company's proposed terms and conditions. The GSU has indicated it may attempt to disrupt operations during the fall harvest. The Company is confident in its contingency plans and ability to operate effectively if this was to occur. (see Section 9 – "Negotiation of the New Collective Bargaining Agreements").

## 6. LIQUIDITY AND CAPITAL RESOURCES

### 6.1 Cash Flow Information

Cash Flow Provided by Operations For the periods ended July 31 (in thousands - except percentages & per share amounts) (Unaudited)	Three Months		Better (Worse)	Nine Months		Better (Worse)
	2008	2007		2008	2007	
EBITDA	\$ 272,553	\$ 153,369	\$ 119,184	\$ 432,346	\$ 203,544	\$ 228,802
Add (Deduct):						
Employee Future Benefits	138	53	85	504	507	(3)
Equity loss (earnings) of significantly influenced companies	4,657	61	4,596	6,407	2	6,405
Other items	335	565	(230)	219	1,241	(1,022)
Adjusted EBITDA	277,683	154,048	123,635	439,476	205,294	234,182
Integration expenses	(2,225)	(8,234)	6,009	(12,264)	(8,952)	(3,312)
Cash interest expense	(7,151)	(14,322)	7,171	(28,562)	(18,370)	(10,192)
Pre-tax cash flow	268,307	131,492	136,815	398,650	177,972	220,678
Current income taxes	(6,889)	(5,427)	(1,462)	(15,515)	(5,427)	(10,088)
Cash Flow Provided by Operations	\$ 261,418	\$ 126,065	\$ 135,353	\$ 383,135	\$ 172,545	\$ 210,590
Per share	\$ 1.12	\$ 0.74	\$ 0.38	\$ 1.79	\$ 1.57	\$ 0.22

For the three months ended July 31, 2008, Viterra generated cash flow provided by operations of \$261.4 million, an increase of \$135.4 million over last year. On a per share basis, the Company generated cash flow provided by operations of \$1.12 per share in the third quarter of 2008, compared with \$0.74 per share for the same three-month period last year. On a year-to-date basis, cash flow provided by operations increased by \$210.6 million to \$383.1 million (or \$1.79 per share) for the nine months ended July 31, 2008, compared to \$172.5 million (or \$1.57 per share) for the same period last year. The year-to-date improvement reflects higher EBITDA, partly offset by integration costs and cash financing costs incurred by Viterra. Actual current income taxes are significantly less than those imputed using the prevailing tax rate on pre-tax cash flows due to the tax shield provided by capital cost allowance and the Company's tax loss-carry-forwards.

Cash Flow Provided by (Used in) Operating Activities For the periods ended July 31 (in thousands) (Unaudited)	Three Months		Better (Worse)	Nine Months		Better (Worse)
	2008	2007		2008	2007	
Net earnings	\$ 166,712	\$ 98,535	\$ 68,177	\$ 241,492	\$ 115,653	\$ 125,839
Adjustments for items not involving cash	94,706	27,530	67,176	141,643	56,892	84,751
Cash flow provided by operations *	\$ 261,418	\$ 126,065	\$ 135,353	\$ 383,135	\$ 172,545	\$ 210,590
Changes in non-cash working capital items	4,163	(305,109)	309,272	(355,445)	(376,261)	20,816
Cash flow provided by (used in) operating activities	\$ 265,581	\$ (179,044)	\$ 444,625	\$ 27,690	\$ (203,716)	\$ 231,406
<b>Free Cash Flow</b>						
Cash flow provided by operations *	\$ 261,418	\$ 126,065	\$ 135,353	\$ 383,135	\$ 172,545	\$ 210,590
Property, plant and equipment expenditures	(15,496)	(92,618)	77,122	(35,174)	(106,667)	71,493
Proceeds on sale of property, plant and equipment	1,682	432,935	(431,253)	3,919	433,062	(429,143)
Other investing activities	10,930	551	10,379	12,140	4,329	7,811
Free Cash Flow	\$ 258,534	\$ 466,933	\$ (208,399)	\$ 364,020	\$ 503,269	\$ (139,249)

\* See Non-GAAP terms in Section 10

Free cash flow is measured by cash flow provided by operations less capital expenditures, net of proceeds and other investing activities (excluding business acquisitions) and does not reflect changes in non-cash working capital. Last year, Viterra received proceeds from the sale of property, plant and equipment to JRI (\$255 million), the sale of the Company's North Shore facility (\$84 million) and the sale of certain assets to Cargill (\$70 million). Excluding these items, free cash flow rose \$200.5 million to \$258.5 million for the quarter and rose \$269.7 million to \$364.0 million for the nine-month period of 2008.

## 6.2 Investing Activities

Capital expenditures for the three months and nine months ended July 31, 2008, were \$15.5 million and \$35.2 million, respectively. This compares to \$92.7 million and \$106.7 million for the comparable periods of the prior year. Capital expenditures in 2008 reflect a number of capital improvements undertaken in the ordinary course of business. Proceeds of \$433.1 million for the nine months ended July 31, 2007 largely reflect proceeds received on the sale of property, plant and equipment assets to JRI, the sale of the Company's North Shore facility, and the sale of certain assets to Cargill.

On an annualized basis, Viterra expects consolidated capital expenditures of approximately \$60 million, which are expected to be funded by cash flow provided by operations.

## 6.3 Non-cash Working Capital

Non-Cash Working Capital As at July 31 (in thousands) (Unaudited)	2008	2007	Better (Worse)
Inventories	\$ 811,335	\$ 595,163	\$ 216,172
Accounts receivable	755,230	647,508	107,722
Prepaid expenses and deposits	28,223	31,389	(3,166)
Accounts payable and accrued liabilities	(642,585)	(461,599)	(180,986)
	<b>\$ 952,203</b>	<b>\$ 812,461</b>	<b>\$ 139,742</b>

Inventories at the end of July 31, 2008 were \$216.2 million higher than at July 31, 2007. Grain inventories increased by \$141.4 million, due mainly to larger grain volumes and higher commodity prices. Agri-products inventories increased by \$55.1 million due to increased fertilizer inventories, equipment, and farm supplies slightly offset by lower seed inventories. The balance of the increase is due mainly to livestock feed inventories.

Accounts receivable at the end of July 31, 2008 were \$107.7 million higher than at July 31, 2007, reflecting higher sales values in the current year.

Lower pre-payments to Agri-products suppliers resulted in a \$3.2 million decrease in prepaid expenses and deposits.

Accounts payable and accrued liabilities were up \$181.0 million over the balance at July 31, 2007. Higher trade payables primarily reflect amounts owing in respect of the higher Agri-products inventories noted above as well as an increase in customer deposits. Accrued liabilities increased due to additional accruals for interest costs and the Company's performance incentive plan.

Increased working capital requirements were financed by cash flow provided by operations.

## 6.4 Financing Activities

Key Financial Information *	As at July 31		Better (Worse)
	2008	2007	
<i>(in thousands - except percentages, "pts" and ratios) (Unaudited)</i>			
Funded Debt, net of cash and cash equivalents	\$ 183,985	\$ 836,366	\$ 652,381
EBITDA	\$ 432,346	\$ 203,544	\$ 228,802
Ratios			
Current Ratio	2.79 x	1.12 x	1.67 pt
Total Debt to Equity	25.0%	39.0%	14.0 pt
Long Term Debt to Equity	20.8%	4.7%	(16.0 pt)

\* See Non-GAAP terms in Section 10

The Company's total funded debt, net of cash and short-term investments, of \$184.0 million at July 31, 2008, decreased by \$652.4 million from the same quarter of the prior year due to a decrease in short-term borrowings of \$703.5 million and an increase of \$416.9 million in cash and short-term investments, offset by an increase in long-term debt, including the current portion of \$485.5 million. The increase in cash was mainly attributable to a common share offering that was completed by the Company in May 2008 that raised net proceeds of \$441.5 million. The proceeds of the offering will be used for general corporate purposes and to fund future acquisitions (see "Outstanding Share Data" on page 28).

Long-term debt, including the current portion, was \$599.7 million at July 31, 2008, up \$485.6 million from the \$114.1 million reported at the same time last year. The increase is attributable to the issuance of \$200 million of Senior Unsecured Notes in August 2007, as well as a new \$400 million, five-year term credit facility that was completed on May 15, 2008. To date, Viterra has drawn approximately \$300 million of the new facility (\$225 million in Canadian funds and \$75 million in US funds), of which approximately \$232.0 million was used to fully repay the remaining outstanding amounts on its Bridge Facility. The remaining \$100 million of available funds under the facility can be drawn by the Company up to November 15, 2008, and will be used for general corporate purposes, including the funding of potential future acquisitions.

During the quarter, the Company entered into an interest rate swap to convert the Company's floating rate exposure on the \$300 million drawn on the credit facility described above to a fixed interest rate obligation. As a result of the swap, the hedged fixed rate, based upon Viterra's current credit ratings, is at approximately 6.3% on Canadian dollar borrowings and approximately 6.5% on U.S. dollar borrowings, with minimum mandatory repayments of 4% per annum.

Short-term borrowings decreased \$703.5 million to \$123.6 million at July 31, 2008, compared to \$827.1 million reported in the prior year. Following the close of the July 31, 2007 quarter, the Company repaid \$255 million of short-term borrowings outstanding on the Company's Bridge Facility and refinanced \$200 million of the Bridge Facility from the proceeds of the Senior Unsecured Notes (see above). In the most recent quarter, the Company fully repaid the Bridge Facility with \$232 million of proceeds received from its new term credit facility. Cumulatively, these account for most of the decrease in short-term borrowings.

Management believes that cash flow from operations and its access to credit facilities, will provide Viterra with sufficient financial resources to fund its working capital requirements, planned capital expenditure programs, integration and restructuring costs, and its debt servicing requirements. This belief is predicated upon the Company's expectations of future commodity and crop input prices, and the expected turnover of inventory and accounts receivable components of working capital. (See "Forward Looking Information" on page 34 of this report).

## 6.5 Debt Ratings

	Corporate Rating	Senior Unsecured Notes	Term Credit Facility	Revolving Credit Facility	Trend
Standard & Poor's	BB+	BB+	n/a	BBB	Positive
Dominion Bond Rating Service Limited	n/a	BBB (Low)	BBB (Low)	n/a	Stable

On July 24, 2008, Dominion Bond Rating Service (DBRS) upgraded the rating on both Viterra's Senior Unsecured Notes and Term Credit Facility to BBB (Low) from BB (High), with a stable trend. According to DBRS, the upgrade was based on the Company's success in achieving its merger targets to date while generating enhanced earnings stability following the acquisition of AU last year. The ratings upgrade also recognized the \$440 million equity issue that occurred in May 2008.

On July 31, 2008, Standard & Poor's raised the Company's long-term corporate credit rating from BB to BB+, with a positive outlook. Standard and Poor's also increased the rating on Viterra's Revolving Credit Facility to BBB from BBB- and the rating on the Company's Senior Unsecured Notes to BB+ from BB. According to Standard and Poor's, the ratings upgrade considered Viterra's leading position in Canadian agribusiness and improved profitability from its integration of AU.

## 6.6 Contractual Obligations

Contractual Obligations (in thousands) <i>Unaudited</i>	Principal Payments Due by Period				
	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
<b>Balance Sheet Obligations</b>					
Short-term debt	\$ 123,579	\$ 123,579	\$ -	\$ -	\$ -
Long-term debt	611,655	12,118	28,590	370,620	200,327
Other long-term obligations	45,464	14,377	12,385	7,193	11,509
	780,698	150,074	40,975	377,813	211,836
<b>Other Contractual Obligations</b>					
Operating leases	\$ 39,627	12,600	15,507	7,772	3,748
Purchase obligations <sup>1</sup>	926,340	914,695	11,645	-	-
	965,967	927,295	27,152	7,772	3,748
<b>Total Contractual Obligations</b>	<b>\$ 1,746,665</b>	<b>\$ 1,077,369</b>	<b>\$ 68,127</b>	<b>\$ 385,585</b>	<b>\$ 215,584</b>

<sup>1</sup> Substantially all of the purchase obligations represent contractual commitments to purchase commodities and products for resale.

## **6.7 Off-Balance Sheet Arrangements**

### **6.7.1 Pension Plans**

The Company, excluding its subsidiaries and affiliates, contributes to several defined contribution plans, including four multi-employer plans. The Company's total contribution expense, including the subsidiaries' and proportionate share of joint ventures' defined contribution plans for the respective three- and nine-month periods ended July 31, 2008 was \$2.2 million and \$6.3 million (2007 - \$0.9 million and \$3.0 million). Note 8(c) of the Consolidated Financial Statements for July 31, 2008 provides additional information regarding the Company's pension plan obligations.

### **6.7.2 Viterra Financial and Unifeed Financial**

Viterra Financial provides grain and oilseeds producers with unsecured working capital financing, through a Canadian Schedule I chartered bank, to purchase the Company's fertilizer, crop protection products, seed and equipment. Outstanding credit was \$571.5 million at July 31, 2008, compared to \$235.1 million at April 30, 2008. Approximately 92% of the current outstanding credit relates to Viterra Financial's highest credit rating categories. The Company indemnifies the bank for 50% of future losses under Viterra Financial to a maximum limit of 5% of the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the size of the underlying portfolio. As at July 31, 2008, the Company's obligation for past and future losses is current with the bank in accordance with the Agency Agreement.

Unifeed Financial provides livestock producers with secured working capital financing through a Canadian Schedule I chartered bank to purchase feeder cattle, feeder hogs and related feed inputs under terms that do not require payment until the livestock are sold. The customer base for Unifeed Financial tends to be smaller with individually larger average credit balances than Viterra Financial. Unifeed Financial approved \$94.0 million (October 31, 2007 - \$97.1 million) in credit applications of which customers had drawn \$33.0 million at July 31, 2008 (October 31, 2007 - \$35.5 million). The Company has indemnified the bank for aggregate credit losses of up to \$7.3 million based on the first 20% to 33% of new credit issued on an individual account as well as for credit losses, shared on an equal basis, of up to 5% of the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the credit rating of underlying accounts and the aggregate credit outstanding. As at July 31, 2008, the Company's obligation for past and future losses is current with the bank in accordance with the Agency Agreement.

## 6.8 Outstanding Share Data

On May 9, 2008, the Company completed an offering for 28,600,000 common shares at a price of \$14.00 per share. Subsequently, on May 14, 2008, the Company also completed the closing of the over-allotment option exercised by the underwriters in connection with the offering, with an additional 4,290,000 common shares issued for \$14.00 per share. Total shares issued and outstanding after the closing of these transactions were 237,049,213. Viterra received gross proceeds of \$460.5 million from the offering and subsequent over-allotment (net proceeds of \$441.5 million after underwriting fees combined with expenses of approximately \$650,000). The proceeds of the offering will be used for general corporate purposes and to fund future acquisitions.

The market capitalization of the Company's 237 million issued and outstanding shares at September 9, 2008 was \$2.4 billion or \$10.21 per share. The issued and outstanding shares at September 9, 2008, together with securities convertible into common shares are summarized in the following table:

<i>As at September 9, 2008</i>	
<i>(Unaudited)</i>	
Issued and outstanding Common Shares	237,049,213
Securities convertible into Common Shares:	
Stock Options	73,294
	<u>237,122,507</u>

## 7. OTHER MATTERS

### 7.1 Accounting Policy Changes

#### 7.1.1 Financial Instruments

As described in Note 12 of the Consolidated Financial Statements, effective November 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections: Section 3855, "Financial Instruments – Recognition and Measurement", Section 3865 – "Hedges", Section 3251, "Equity", Section 1530, "Comprehensive Income", Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation".

The new standards provide guidance on the recognition, measurement and classification of financial assets and financial liabilities. All financial instruments, including derivatives, are to be included on a company's balance sheet and measured either at their fair values or, in circumstances when fair value may not be considered most relevant, at amortized cost or cost. The standards establish a new measure of income called comprehensive income. Comprehensive income represents the change in the net assets of an entity from non-owner sources for a period and has two components – net income and other comprehensive income. The new section provides

guidance for reporting items in other comprehensive income, which will be included on the Consolidated Balance Sheets as a separate component of shareholders' equity.

The new standards also establish the accounting requirements for hedges. The accounting for a specific hedging relationship depends on its nature. Fair value hedging applies when the change in the fair value of an existing asset or liability attributable to a particular risk is being hedged. The change in the fair value of both the hedging item and hedged item attributable to the hedged risk is recognized in net income and adjusts the carrying amount of the instruments. Cash flow hedging applies when the variability in cash flows attributable to a particular risk is hedged. The effective portion of the changes in fair value of the derivative is recorded in other comprehensive income until the hedged item affects net income. Any ineffectiveness of designated hedges is recognized immediately in income.

Additional information regarding these changes can be found in Note 12(a) of the Consolidated Financial Statements.

#### **7.1.2 Non-hedgable Grain Inventories and Related Commodity Contracts**

The Company has historically classified its grain inventories and related derivative contracts into two categories. Hedgable grain inventories are those for which the market risk associated with inventory positions is managed through exchange-traded futures instruments. Non-hedgable grain inventories include inventories for which there are no exchange-traded instruments but where cash-traded instruments are commonly used to manage market risk. The Company manages the market risk associated with inventory and open contracts on a combined basis.

Prior to 2008, non-hedgable grain inventories and related commodity contracts were valued on a combined basis at the lower of cost and net realizable value. During the first quarter of 2008, the Company adopted the policy of valuing its non-hedgable grain inventories on the basis of market quotations less freight and handling costs. Gains and losses on related open grain purchase and sales contracts are based on estimated fair value. This new policy, in addition to providing consistency with its existing accounting policy for hedgable inventories and commodities, is consistent with the fair value measurement requirements adopted on November 1, 2007 for financial instruments and other derivative contracts of the Company. The impact of this change in accounting policy has been recorded retrospectively with restatement of the prior period.

Additional information regarding these changes can be found in Note 12(b) of the Consolidated Financial Statements.

#### **7.1.3 Other**

The Company also adopted the CICA Handbook Sections 1506 – “Accounting Changes” and 1535 – “Capital Disclosures” effective November 1, 2007. These sections resulted in additional financial statement note disclosure.

## **7.2 Critical Accounting Estimates**

At July 31, 2008, the Company had consolidated loss carry-forwards of \$62.9 million available to reduce taxes otherwise payable in future years, expiring between October 2009 and 2013. The Company expects to use these losses prior to their expiry date, and accordingly, a future tax asset of \$19.1 million has been recorded in respect of the Company's unutilized losses.

Management regularly assesses the Company's ability to realize net future income tax assets based on all relevant information available and has concluded that it is more likely than not that these loss carry-forwards can be fully utilized prior to expiry. In making its assessment, management considered, among other things, historical and projected future earnings (see "Forward-Looking Information" on page 34 of this Report). If the Company's future earnings do not materialize to the extent required to permit the full realization of these loss carry-forwards, the Company would record an appropriate valuation allowance in the period when such a determination is made. This would result in a decrease to reported earnings and an increase to the Company's effective tax rate in that period.

## **8. RESTRUCTURING AND INTEGRATION MATTERS**

As described in detail in the Company's 2007 Annual report, on May 29, 2007, the Company acquired effective control of AU. On June 15, 2007, the Company acquired all remaining Limited Voting Common Shares under a court-approved Plan of Arrangement and AU became a wholly-owned subsidiary of the Company. On November 1, 2007, Viterra's wholly-owned subsidiaries United Grain Growers Limited, carrying on business as Agricore United, and Pacific Elevators Limited were legally amalgamated with Viterra.

As noted in the table below, integration of the two companies is substantially complete.

<i>Restructuring &amp; Integration Plan - Key Milestones</i>					
Objective	Target Date	Achieved	Objective	Target Date	Achieved
Appoint senior executive and management team	Q4 2007	✓	Harmonize advertising and marketing programs	Q1 2008	✓
Develop Operating Model for the Company	Q4 2007	✓	Complete plan for Agri-Products retail footprint and harmonize pricing and product line decisions	Q1 2008	✓
Refine Synergy analysis and targets	Q4 2007	✓	Complete accounting and finance system conversion	Q2 2008	✓
Complete divestiture of assets to JRI/Cargill	Q4 2007	✓	Review of pension and benefits for the combined company and recommendations thereon	Q2 2008	✓
Complete re-financing of Bridge Facility	Q4 2007	✓	Implement HR & payroll system conversion	Q2 2008	✓
Develop detailed implementation plans	Q4 2007	✓	Complete Grain system conversion	Q2 2008	✓
Re-branding and launch of new name	Q5 2007	✓	Develop and implement new human resource policies and procedures	Q3 2008	✓
Complete legal amalgamation of the Company with AU	Q5 2007	✓	Finalize Grain end-state network	Q3 2008	Partial
Complete Agri-Products system conversion	Q1 2008	✓			

As of July 31, 2008, the Company had achieved a total of \$87.3 million in synergies. This is comprised of \$46.6 million in the Grain Handling and Marketing segment, \$21.8 million in the Agri-products segment, and \$18.9 million in the Financial Products segment and Corporate expenses. The Company's most recent estimate of gross synergies was \$96 million, broken down as follows:

- \$53 million in the Grain Handling and Marketing segment,
- \$14 million in the Agri-products segment. and
- \$29 million through reduced Corporate expenses.

The integration of Viterra's Agri-products network is complete and that business unit has exceeded its estimates through the realization of additional revenue generating opportunities. As a result, the Company now expects gross synergies of \$104 million with the full benefit to be delivered by the middle of fiscal 2009.

Integration costs expensed for the current quarter were \$2.2 million (for a total of \$12.3 million in fiscal 2008 and \$32.3 million since integration began). These costs relate primarily to severance, consulting and advisory fees and other integration costs incurred directly by the Company. Integration costs, including severance, termination fees, and debt repayment penalties incurred by or related to AU have already been accrued on the balance sheet as part of the acquisition price of AU shares in accordance with the purchase method of accounting, with a corresponding increase in goodwill. On a pre-tax basis, estimated total net integration costs for both entities, which include share issuance costs and refinancing costs are about \$274.5 million, of which about \$273.7 million has already been incurred (\$18.3 million in the current fiscal year), including \$21.6 million of costs accrued and outstanding. These costs are financed by free cash flow.

## **9. NEGOTIATION OF NEW COLLECTIVE BARGAINING AGREEMENTS**

Collective bargaining between the Company and the Grain Services Union (“GSU”), which represents the Saskatchewan Operations and Maintenance Unit, the Regina Office Unit and the AgPro Manitoba and Alberta bargaining Unit began in November 2007. The Operations and Maintenance bargaining Unit has 613 employees; Regina Office bargaining Unit has 193 employees; and AgPro (MB/AB) has 88 employees.

After months of negotiation and with little progress made, Viterra and the GSU agreed to work through a conciliator to try to reach a mutual agreement. Viterra's final offer was for a five-year term and consists of a 6% compensation payment on signing and annual increases of 6, 5, 5, and 5% beginning November 1, 2008 based on performance. In addition, Viterra will introduce an annual incentive program that has the potential to add to an employee's total compensation in the range of 5, 10 and 15% of their pay. The Company is offering common terms and conditions of employment, including market-based compensation and benefits, fairness, flexibility and long-term labour stability.

On June 2, the GSU began conducting a number of meetings, at which members were asked to either vote to accept the Company's offer or to strike, with the following outcomes:

- 85.5% of members in the AgPro bargaining unit (Alberta and Manitoba) voted in favour of the Company's offer;
- 83% of eligible employees in the Regina Office bargaining Unit voted against the Company's offer; and
- 57% of the Saskatchewan Operations and Maintenance Unit members voted against the Company's offer.

On June 10, conciliation concluded, ending a 60-day conciliation process.

On July 2, 2008, the Company served notice to the GSU that it was implementing its final contract offer for the affected bargaining units, as part of a rotating lock-out that required those employees to report to work on Monday, July 7, 2008, under the terms and conditions of the Offer.

On July 4, 2008, the GSU advised the Company that members of the Regina Office bargaining Unit would withdraw their services and Saskatchewan Country and Operations Unit employees would report for their normal shifts on Monday, July 7, 2008, but were encouraged to only work overtime on a voluntary basis.

On July 7, 2008, the Company implemented its contingency plans at the Regina Office. About 25% of affected Office employees have chosen to return to work under the Company's terms and condition. To date, the strike action has had minimal impact on operations and the Company is fully prepared to implement additional plans should the GSU attempt to disrupt country operations during the fall harvest period. In addition, the Company has advised the GSU on numerous occasions of its willingness to return to the bargaining table if substantial progress can be made.

On July 31, 2008, the Canadian Industry Relations Board (CIRB) in response to an application by the GSU, certified the GSU as the bargaining agent to represent approximately 200 Manitoba employees. The Company has filed a Reconsideration Application with the CIRB.

The Company was also recently advised that 88 members of the Alberta and Manitoba AgPro bargaining Unit have filed a Revocation Application with the CIRB to be decertified and begin a direct working relationship with Viterra. In order to bring such an application forward, a majority of bargaining unit employees must support the action. The CIRB has yet to rule on this application.

## **10. NON-GAAP FINANCIAL MEASURES**

EBITDA (earnings before interest, taxes, amortization, gain (loss) on disposal of assets, integration expenses and recovery of (provision for) pension settlement) and EBIT (earnings before interest, taxes, gain (loss) on disposal of assets, integration expenses and recovery of (provision for) pension settlement) are non-GAAP measures. Those items excluded in the determination of EBITDA and EBIT represent items that are non-cash in nature, income taxes, financing charges or are otherwise not considered to be in the ordinary course of business. These measures are intended to provide further insight with respect to Viterra's financial results and to supplement its information on earnings as determined in accordance with GAAP.

EBITDA is used by management to assess the cash generated by continuing operations and EBIT is a measure of earnings prior to financing costs and taxes. Both measures also provide important management information concerning business segment performance since the Company does not allocate financing charges, income taxes or other excluded items to these individual segments.

Funded debt, net of cash and cash equivalents, is provided to assist investors and is used by management in assessing the Company's liquidity position and to monitor how much debt the Company has after taking into account its liquid assets, such as cash and cash equivalents. Such measures should not be used in isolation of, or as a substitute for, current liabilities, short-term debt, or long-term debt as a measure of the Company's indebtedness.

Cash flow provided by operations is the cash from (or used in) operating activities, excluding non-cash working capital changes. Viterra uses cash flow provided by operations as a financial measure for the evaluation of liquidity. Management believes that excluding the seasonal swings of non-cash working capital assists management's evaluation of long-term liquidity.

Free cash flow is cash flow provided by operations net of investing activities and excludes changes in non-cash working capital. For these purposes, investing activities include capital expenditures, net of proceeds and the net change in cash in trust, investments and other long-term assets, and excludes business acquisitions. Free cash flow is used by management to assess liquidity and financial strength. This measurement is also useful as an indicator of the Company's ability to service its debt, meet other payment obligations and make strategic investments. Readers should be aware that free cash flow does not represent residual cash flow available for discretionary expenditures.

These non-GAAP measures should not be considered in isolation from, or as a substitute for, GAAP measures such as (i) net earnings, 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. Such measures do not have any standardized meanings prescribed by Canadian GAAP and are, therefore, unlikely to be comparable to similar measures presented by other corporations.

Reconciliations of each of these terms are provided in the table below.

<b>Non-GAAP Terms, Reconciliations and Calculations</b> <i>(in thousands - except percentages and ratios)</i>			
	2008	2007	Better (Worse)
<b>For the nine months ended July 31</b>			
Gross profit and net revenues from services	\$ 803,399	\$ 413,877	\$ 389,522
Operating, general and administrative expenses	(371,053)	(210,333)	(160,720)
<b>EBITDA</b>	<b>\$ 432,346</b>	<b>\$ 203,544</b>	<b>\$ 228,802</b>
Amortization	(76,606)	(30,659)	(45,947)
<b>EBIT</b>	<b>\$ 355,740</b>	<b>\$ 172,885</b>	<b>\$ 182,855</b>
Net earnings	\$ 241,492	\$ 115,653	\$ 125,839
Amortization	76,606	30,659	45,947
Non-cash financing expenses	2,952	1,473	1,479
Provision for (recovery of) pension settlement	(3,356)	5,000	(8,356)
Employee Future Benefits	504	507	(3)
Equity loss (earnings) of significantly influenced companies	6,407	2	6,405
Future income tax provision	59,780	50,763	9,017
Loss (gain) on disposal of assets	(1,469)	(32,753)	31,284
Other items	219	1,241	(1,022)
<b>Cash flow prior to working capital changes</b>	<b>\$ 383,135</b>	<b>\$ 172,545</b>	<b>\$ 210,590</b>
Property, plant and equipment expenditures	(35,174)	(106,667)	71,493
Proceeds on sale of property, plant and equipment	3,919	433,062	(429,143)
Decrease (increase) in cash in trust	16,710	4,259	12,451
Decrease (increase) in investments	(3,354)	306	(3,660)
Decrease (increase) in other long-term assets	(1,216)	(236)	(980)
<b>Free Cash Flow</b>	<b>\$ 364,020</b>	<b>\$ 503,269</b>	<b>\$ (139,249)</b>
<b>As at July 31</b>			
Current Assets	\$ 2,173,082	\$ 1,462,672	\$ 710,410
Current Liabilities	779,927	1,311,568	531,641
<b>Current Ratio (Current Assets/Current Liabilities)</b>	<b>2.79</b>	<b>1.12</b>	<b>1.67 pt</b>
Short-term borrowings	\$ 123,579	\$ 827,055	\$ 703,476
[A] Long-term debt due within one year	12,118	4,179	(7,939)
[A] Long-term Debt	587,569	109,944	(477,625)
[B] Total Debt	\$ 723,266	\$ 941,178	\$ 217,912
Cash and short-term investments	\$ 540,492	123,547	416,945
Bank indebtedness	(1,211)	(18,735)	17,524
[C] Cash and cash equivalents	\$ 539,281	\$ 104,812	\$ 434,469
<b>Funded Debt, net of cash and cash equivalents</b>	<b>\$ 183,985</b>	<b>\$ 836,366</b>	<b>\$ 652,381</b>
[D] Total Equity	\$ 2,165,538	\$ 1,472,807	\$ 692,731
[E] Total Debt & Equity [B + D]	\$ 2,888,804	\$ 2,413,985	
Total Debt to Equity [B]/[E]	25.0%	39.0%	14.0 pt
Long Term Debt to Equity [A]/[E]	20.8%	4.7%	(16.0 pt)

## 11. FORWARD-LOOKING INFORMATION

Certain statements in this Management's Discussion and Analysis are forward-looking statements and reflect Viterra's expectations regarding future results of

operations, financial condition and achievements. All statements that address activities, events or developments that Viterra 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, critical accounting estimates and expectations regarding future capital resources and liquidity of the Company and such matters, are forward-looking statements. In addition, the words “believes”, “intends”, “anticipates”, “expects”, “estimates”, “plans”, “likely”, “will”, “may”, “could”, “should”, “would”, “outlook”, “forecast”, “objective”, “continue” (or the negative thereof) 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 Viterra 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, any labour disruptions, including the current or any expanded strike action by the GSU and withdrawal of services by GSU members; those factors discussed under the heading “Risk Factors” in Viterra’s 2007 Annual Information Form and in the Company’s 2007 Annual Report under the heading “Risks and Risk Management” in the Management’s Discussion and Analysis; integration risk associated with the merger of Saskatchewan Wheat Pool and Agricore United; 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; Viterra’s dependence on key personnel; employee relations and status of collective bargaining agreements; the Company’s financial leverage and funding requirements; continued availability of credit facilities; credit risk in respect of customers of Viterra; 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; food safety; disease and other livestock industry risks; acceptance of genetically modified foods; competitive developments in connection with Viterra’s grain handling, agri-products, agri-food processing, livestock and other operations; and environmental risks and unanticipated expenditures relating to environmental or other matters.

All of the forward-looking statements in this Management’s Discussion and Analysis 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 Viterra and its management will be realized or, even if substantially realized, that they will have the expected consequences for, or effects on, the Company. Although Viterra 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

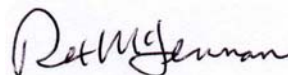
assumptions identified, assumptions have been made regarding, among other things, western Canadian crop production and quality for the 2008 and subsequent crop years; the volume and quality of grain held on farm by producer customers; movement and sales of Board grains by the CWB; demand for and supply of non-Board grains; the ability to maintain existing customer contracts and relationships; agricultural commodity prices; natural gas prices; general financial conditions for western Canadian agricultural producers; demand for seed grain, fertilizer, chemicals and other agri-products by Viterra's customers; market share of grain deliveries and agri-products sales that will be achieved by Viterra; ability of the railways to ship grain to port facilities for export without labour or other service disruptions; extent of customer defaults in connection with credit provided by Viterra, its subsidiaries; the availability of feed ingredients for livestock and poultry producers; or others in connection with agri-products purchases; demand for oat and malt barley products and market share of sales of these products that will be achieved by Viterra's subsidiaries; the cyclical nature of hog prices; 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 preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to Viterra and undue reliance should not be placed on Viterra's forward-looking information. Viterra 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. Forward-looking statements regarding financial information or outlook represent Viterra's views only as of the respective dates of such statements. Forward-looking information of this sort has been presented solely for the purpose of assisting the Corporation's securityholders in understanding management's current views regarding those future outcomes, and may not be appropriate for other purposes.

## 12. ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis relating to the third quarter and nine-month period ended July 31, 2008, should be read in conjunction with Viterra's Management's Discussion and Analysis for its year ended October 31, 2007, which is included at pages 27 to 73 of Viterra's 2007 Annual Report. Additional information relating to Viterra, including the most recent Annual Information Form filed by the Company, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and Viterra's website, [www.viterra.ca](http://www.viterra.ca).



Mayo Schmidt  
President and Chief Executive Officer  
September 10, 2008



Rex McLennan  
Chief Financial Officer

Viterra Inc.  
2625 Victoria Avenue  
Regina, Saskatchewan S4T 7T9  
<http://www.viterra.ca>



## CONSOLIDATED BALANCE SHEETS

(in thousands)

AS AT	July 31, 2008 (unaudited)	July 31, 2007 (unaudited) (restated - Note 12b)	October 31, 2007 (audited) (restated - Note 12b)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 49,153	\$ 50,871	\$ 24,600
Cash in trust	-	635	16,710
Short-term investments	491,339	72,676	44,051
Accounts receivable	755,230	647,508	458,914
Inventories	811,335	595,163	785,695
Prepaid expenses and deposits	28,223	31,389	51,685
Future income taxes	37,802	64,430	70,116
	2,173,082	1,462,672	1,451,771
<b>Investments</b>	16,282	24,807	19,198
<b>Property, Plant and Equipment (Note 3)</b>	1,170,539	812,578	1,192,620
<b>Other Long-Term Assets</b>	50,711	56,148	61,233
<b>Intangible Assets</b>	18,426	-	20,275
<b>Goodwill (Note 4)</b>	299,637	586,014	296,743
<b>Future Income Taxes</b>	1,916	84,070	255
	\$ 3,730,593	\$ 3,026,289	\$ 3,042,095
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Bank indebtedness	\$ 1,211	\$ 18,735	\$ 4,501
Short-term borrowings	123,579	827,055	352,527
Accounts payable and accrued liabilities	642,585	461,599	723,945
Long-term debt due within one year	12,118	4,179	3,736
Future income taxes	434	-	-
	779,927	1,311,568	1,084,709
<b>Long-Term Debt (Note 6)</b>	587,569	109,944	307,413
<b>Other Long-Term Liabilities</b>	58,102	62,582	60,255
<b>Future Income Taxes</b>	139,457	69,388	115,097
	1,565,055	1,553,482	1,567,474
<b>Shareholders' Equity</b>			
Share capital (Note 7)	1,883,336	1,422,843	1,422,843
Contributed surplus	558	323	323
Retained earnings	279,126	49,584	50,426
Accumulated other comprehensive income	2,518	57	1,029
	2,165,538	1,472,807	1,474,621
	\$ 3,730,593	\$ 3,026,289	\$ 3,042,095

Commitments, contingencies and guarantees (Note 11)



**CONSOLIDATED STATEMENTS OF EARNINGS**  
(in thousands)

<b>FOR THE PERIOD ENDED</b>	<b>Three Months Ended July 31, 2008</b> (unaudited)	<b>Three Months Ended July 31, 2007</b> (unaudited) (restated - Note 12b)	<b>Nine Months Ended July 31, 2008</b> (unaudited)	<b>Nine Months Ended July 31, 2007</b> (unaudited) (restated - Note 12b)
Sales and other operating revenues	\$ 2,218,229	\$ 1,400,183	\$ 5,060,748	\$ 2,249,266
Cost of sales	(1,803,824)	(1,125,993)	(4,257,349)	(1,835,389)
Gross profit and net revenues from services	414,405	274,190	803,399	413,877
Operating, general and administrative expenses	(141,852)	(120,821)	(371,053)	(210,333)
	272,553	153,369	432,346	203,544
Amortization (Note 3)	(25,585)	(15,763)	(76,606)	(30,659)
	246,968	137,606	355,740	172,885
Gain (loss) on disposal of assets	(441)	32,609	1,469	32,753
Integration expenses	(2,225)	(8,234)	(12,264)	(8,952)
Recovery of (provision for) pension settlement (Note 8a)	3,356	-	3,356	(5,000)
Financing expenses (Note 9)	(8,370)	(14,813)	(31,514)	(19,843)
	239,288	147,168	316,787	171,843
Provision for corporate taxes				
Current	(6,889)	(5,427)	(15,515)	(5,427)
Future (Note 15)	(65,687)	(43,206)	(59,780)	(50,763)
<b>Net earnings</b>	<b>\$ 166,712</b>	<b>\$ 98,535</b>	<b>\$ 241,492</b>	<b>\$ 115,653</b>
Basic and diluted earnings per share (Note 5)	\$ 0.71	\$ 0.58	\$ 1.13	\$ 1.05



**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in thousands)

FOR THE PERIOD ENDED	Three Months Ended	Nine Months Ended
	July 31, 2008	July 31, 2008
	(unaudited)	(unaudited)
Net earnings	\$ 166,712	\$ 241,492
Other comprehensive loss		
Realized gain on dedesignated hedged contracts included in net earnings, net of tax of \$ (1,215)	(671)	(2,579)
Unrealized loss on interest rate swaps, net of tax of \$ (532)	(1,095)	(1,095)
Unrealized loss on available for sale assets, net of tax \$ (19)	(38)	(100)
Unrealized effect of foreign currency translation of foreign operations	(388)	(896)
Other comprehensive loss	(2,192)	(4,670)
Comprehensive income	\$ 164,520	\$ 236,822

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in thousands)

(unaudited)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total Shareholders' Equity
As at July 31, 2006	\$ 502,760	\$ 308	\$ -	\$ (41,638)	\$ 461,430
Share capital issued	920,083	-	-	-	920,083
Stock-based compensation	-	15	-	-	15
Unrealized effect of foreign currency translation of foreign operations	-	-	57	-	57
Future income taxes adjustment	-	-	-	5,860	5,860
Future income taxes share issuance costs	-	-	-	12,108	12,108
Share issuance costs	-	-	-	(37,265)	(37,265)
Net earnings for the period as restated (Note 12b)	-	-	-	110,519	110,519
As at July 31, 2007 as restated	1,422,843	323	57	49,584	1,472,807
Unrealized effect of foreign currency translation of foreign operations	-	-	972	-	972
Net earnings for the period as restated (Note 12b)	-	-	-	842	842
As at October 31, 2007 as restated	1,422,843	323	1,029	50,426	1,474,621
Share capital issued	460,493	-	-	-	460,493
Stock-based compensation	-	235	-	-	235
Accounting policy change (Note 12a)	-	-	-	-	-
Unrealized gain on dedesignated hedged contracts, net of tax of \$ 2,798	-	-	5,946	-	5,946
Unrealized gain on available for sale assets, net of tax of \$ 41	-	-	213	-	213
Livestock receivables, net of tax of \$ (36)	-	-	-	(76)	(76)
Debt acquisition costs using effective interest method, net of tax of \$ 60	-	-	-	126	126
Other comprehensive loss	-	-	-	-	-
Realized gain on dedesignated hedged contracts, net of tax of \$ (1,215)	-	-	(2,579)	-	(2,579)
Unrealized loss on interest rate swaps, net of tax of \$ (532)	-	-	(1,095)	-	(1,095)
Unrealized loss on available for sale assets, net of tax \$ (19)	-	-	(100)	-	(100)
Unrealized effect of foreign currency translation of foreign operations	-	-	(896)	-	(896)
Future income taxes adjustment	-	-	-	51	51
Future income taxes share issuance costs	-	-	-	6,067	6,067
Share issuance costs	-	-	-	(18,960)	(18,960)
Net earnings for the period	-	-	-	241,492	241,492
As at July 31, 2008	\$ 1,883,336	\$ 558	\$ 2,518	\$ 279,126	\$ 2,165,538



## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

FOR THE PERIOD ENDED	Three Months Ended July 31, 2008	Three Months Ended July 31, 2007	Nine Months Ended July 31, 2008	Nine Months Ended July 31, 2007
	(unaudited)	(unaudited) (restated - Note 12b)	(unaudited)	(unaudited) (restated - Note 12b)
<b>Cash From (Used in) Operating Activities</b>				
Net earnings	\$ 166,712	\$ 98,535	\$ 241,492	\$ 115,653
Adjustments for items not involving cash				
Amortization	25,585	15,763	76,606	30,659
Future income tax provision	65,687	43,206	59,780	50,763
Equity loss of significantly influenced companies	4,657	61	6,407	2
Provision for (recovery of) pension settlement (Note 8a)	(3,356)	-	(3,356)	5,000
Employee future benefits	138	53	504	507
Non-cash financing expenses (Note 9)	1,219	491	2,952	1,473
Loss (gain) on disposal of assets	441	(32,609)	(1,469)	(32,753)
Other items	335	565	219	1,241
Adjustments for items not involving cash	94,706	27,530	141,643	56,892
	261,418	126,065	383,135	172,545
Changes in non-cash working capital items				
Accounts receivable	(73,756)	(172,347)	(270,580)	(182,286)
Inventories	351,825	247,221	(16,987)	135,872
Accounts payable and accrued liabilities	(401,264)	(442,475)	(91,383)	(336,928)
Prepaid expenses and deposits	127,358	62,492	23,505	7,081
Changes in non-cash working capital	4,163	(305,109)	(355,445)	(376,261)
Cash from (used in) operating activities	265,581	(179,044)	27,690	(203,716)
<b>Cash From (Used in) Financing Activities</b>				
Proceeds from long-term debt (Note 6)	299,953	-	299,953	-
Repayment of long-term debt	(516)	(366,901)	(1,294)	(370,768)
Proceeds from (repayment of) short-term borrowings	(449,097)	703,808	(231,751)	727,913
Repayment of other long-term liabilities, net	(23)	(988)	(2,364)	(1,235)
Increase in share capital (Note 7)	460,460	920,083	460,479	920,083
Share issuance costs	(18,960)	(37,265)	(18,960)	(37,265)
Debt refinancing cost	(5,882)	(1,963)	(7,553)	(1,963)
Cash from financing activities	285,935	1,216,774	498,510	1,236,765
<b>Cash From (Used in) Investing Activities</b>				
Property, plant and equipment expenditures	(15,496)	(92,618)	(35,174)	(106,667)
Proceeds on sale of property, plant and equipment	1,682	432,935	3,919	433,062
Business acquisitions (Note 4)	(767)	(1,315,676)	(31,875)	(1,331,520)
Decrease (increase) in cash in trust	14,641	(357)	16,710	4,259
Decrease (increase) in investments	(3,236)	119	(3,354)	306
Decrease (increase) in other long-term assets	(475)	789	(1,216)	(236)
Cash used in investing activities	(3,651)	(974,808)	(50,990)	(1,000,796)
<b>Increase in Cash and Cash Equivalents</b>	547,865	62,922	475,210	32,253
<b>Cash and Cash Equivalents, Beginning of Period</b>	(8,530)	41,890	64,150	72,559
<b>Impact on cash of unrealized effect of foreign currency translation of foreign operations</b>	(54)	-	(79)	-
<b>Cash and Cash Equivalents, End of Period</b>	\$ 539,281	\$ 104,812	\$ 539,281	\$ 104,812
Cash and cash equivalents consist of:				
Cash	\$ 49,153	\$ 50,871	\$ 49,153	\$ 50,871
Short-term investments	491,339	72,676	491,339	72,676
Bank indebtedness	(1,211)	(18,735)	(1,211)	(18,735)
	\$ 539,281	\$ 104,812	\$ 539,281	\$ 104,812
Supplemental disclosure of cash paid during the period from continuing operations:				
Interest paid	\$ 10,477	\$ 15,203	\$ 42,447	\$ 22,031
Income taxes paid	\$ 2,605	\$ 3,488	\$ 9,764	\$ 3,368

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2008 (unaudited) - in thousands of Canadian dollars, except as noted

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### 1. NATURE OF BUSINESS

Viterra Inc., (the “Company”) is a publicly traded, vertically integrated Canadian agri-business. Business operations include five reporting segments: Grain Handling and Marketing, Agri-products, Agri-food Processing, Livestock Feed and Services and Financial Products.

On May 29, 2007, the Company acquired effective control of Agricore United (“AU”) a Canadian agri-business. The results of operations of AU are included in the Company’s consolidated financial statements commencing May 29, 2007.

On July 30, 2007, the Company announced a change in year-end from July 31 to October 31, commencing with the 2007 fiscal year. Accordingly, the Company will have a 12-month fiscal year ending October 31, 2008 and a 15-month fiscal year ending October 31, 2007.

The Grain Handling and Marketing segment includes approximately 100 grain facilities, two producer owned joint venture grain facilities and 14 processing plants strategically located in the prime agricultural growing regions of Western Canada, and two processing plants in the United States of America (“U.S.”). This segment also includes five wholly owned port terminal facilities located in Vancouver, British Columbia and Thunder Bay, Ontario, and an ownership interest in an export facility in Prince Rupert, British Columbia. Activity in this segment consists of the collection of grain through the Company’s primary elevator system, shipping to inland or port terminals, cleaning of grain to meet regulatory specifications, and sales to domestic or export markets. Earnings in the Grain Handling and Marketing segment are volume driven and are derived primarily from tariffs charged to producers for elevation and cleaning of Canadian Wheat Board (“CWB”) grains and from the sales of non-Board grains. Revenue is also derived through grain handling, blending, drying, storage and other ancillary services, as well as the sale of by-products.

The Agri-products segment includes an ownership interest in a fertilizer manufacturer, ownership of a fertilizer distributor and a retail network of approximately 250 locations throughout Western Canada. Agri-products sales lines include fertilizer, crop protection products, seed and seed treatments, and equipment.

The Agri-food Processing segment includes the manufacture and marketing of value-added products associated with oats and malt barley for domestic and export markets.

The Livestock Feed and Services segment formulates and manufactures feed products at six feed mills and three pre-mix facilities across Western Canada and at six feed mill locations in Texas, New Mexico and Oklahoma in the U.S.

The Financial Products segment acts as an agent for a Canadian Schedule I chartered bank and provides unsecured trade credit to agricultural customers and secured loans to livestock producers.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2008 (unaudited) - in thousands of Canadian dollars, except as noted

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Weather conditions are the primary risk in the agri-business industry. Grain volumes, grain quality, the volume and mix of crop inputs sold and ultimately, the financial performance of the Company, are highly dependent upon weather conditions throughout the crop production cycle.

The Company's earnings follow the seasonal pattern of prairie grain production. Activity peaks in the spring as new crops are sown and in the fall as mature crops are harvested. The volume of grain shipments are relatively stable through the quarters, but can be influenced by destination customer demand, the CWB export program, and producers' marketing decisions. Sales of the Company's Agri-products peak in May through July, corresponding with the growing season, supplemented by additional crop nutrient sales in the late fall. Although relatively steady throughout the year, sales in the Livestock Feed and Services segment tend to peak during the winter months as feed consumption increases. In the agri-food processing business, earnings are more fluid with continuous demand for products throughout each quarter. Financial Products agency fees follow the related pattern of sales of the underlying activity in the Agri-products and Livestock Feed and Services segments.

### 2. ACCOUNTING POLICIES

These interim unaudited consolidated financial statements are based on accounting principles consistent with those used and described in the October 31, 2007 annual consolidated financial statements, except as described in Note 12. The Company's accounting policies are in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are reported in Canadian dollars unless specifically stated to the contrary. However, these financial statements do not include all of the information and disclosures required for annual financial statement presentation. The interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the 15-month fiscal year ended October 31, 2007.

### 3. CHANGE IN ACCOUNTING ESTIMATE

In 2008, the Company changed its estimate of the useful life of certain property, plant and equipment. The revised estimates better reflect the expected useful lives of these assets. The change in the estimated useful life was applied prospectively and had the effect of decreasing amortization expense by \$1.5 million and \$4.3 million in the respective three and nine month periods ended July 31, 2008.

### 4. BUSINESS ACQUISITIONS

	Total
Current assets	\$ 24,040
Property, plant and equipment	15,160
Goodwill	2,849
Current liabilities	(10,174)
Total cash consideration	\$ 31,875

On March 3, 2008, Unifeed Hi-Pro Inc., a wholly owned subsidiary of the Company doing business as Hi-Pro Feeds, purchased certain assets of Sunrise Feed, LLC in Cheyenne and Elk City, Oklahoma. The acquisition includes a feed mill with 100,000 tonnes/year capacity and

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2008 (unaudited) - in thousands of Canadian dollars, except as noted

a retail outlet in both Cheyenne and Elk City. Sunrise Feed manufactures and sells beef, horse and other animal feed and pasture supplements into the rancher market.

On April 7, 2008, the Livestock Feed and Services division operating as Unifeed, concluded its purchase of V-S Feed and Agri-Supplies Ltd. ("V-S Feed") in Ponoka, Alberta. The acquisition includes a feed pre-mix mill with 8,000 tonnes/year capacity and a retail outlet that sells farm supply and feed products.

On April 28, 2008, Unifeed Hi-Pro Inc. purchased certain assets of Gore Bros., Inc. and Gore's Trucking, Inc. for total consideration of U.S. \$25.3 million. The acquisition added an additional two feed mills in Clovis, New Mexico and Comanche, Texas.

These acquisitions have been funded through current operating cash flows. As the acquisitions have recently been completed, the preliminary purchase price allocation between the assets and liabilities acquired, including goodwill, will be finalized in a subsequent period.

Earnings derived from the associated assets purchased have been included in the Company's consolidated financial statements commencing from the respective acquisition dates.

At July 31, 2007, the preliminary purchase price allocation between goodwill and intangible assets, property, plant and equipment, other long-term assets, current liabilities, other long-term liabilities and net future income tax assets was not finalized for the Agricore United acquisition.

### 5. EARNINGS PER SHARE

	Three Months Ended July 31		Nine Months Ended July 31	
	2008	2007	2008	2007
Net earnings	\$ 166,712	\$ 98,535	\$ 241,492	\$ 115,653
Denominator for basic earnings per share amounts:				
Weighted average number of shares outstanding	233,599	169,489	214,044	110,223
Basic earnings per share	\$ 0.71	\$ 0.58	\$ 1.13	\$ 1.05
Denominator for diluted earnings per share amounts:				
Weighted average number of shares outstanding	233,603	169,493	214,048	110,226
Diluted earnings per share	\$ 0.71	\$ 0.58	\$ 1.13	\$ 1.05

### 6. LONG-TERM DEBT

On May 15, 2008, the Company completed a \$400 million, five-year term secured credit facility with a syndicate of financial institutions. The facility is secured by a first charge on property, plant and equipment and a second charge on accounts receivable and inventory.

Upon closing, the Company received \$300 million in proceeds from the credit facility, comprised of \$225 million Canadian and \$75 million US. Approximately \$232 million of the proceeds were used to fully repay the remaining outstanding amounts on the Company's Bridge Facility included in short-term borrowings. The balance of the proceeds will be used for general corporate purposes, including the funding of potential future acquisitions. The Company has an option to draw an additional \$100 million up to November 15, 2008.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
July 31, 2008 (unaudited) - in thousands of Canadian dollars, except as noted

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Based upon the Company's current credit ratings and interest rate swaps, the hedged fixed rate of interest on the credit facility is at approximately 6.3% on Canadian dollar borrowings and approximately 6.5% on US dollar borrowings, with minimum mandatory repayments of 4% per annum.

**7. SHARE CAPITAL**

**a) Common Voting Shares**

Authorized

Unlimited Common Voting Shares

The following table summarizes the Common Voting Shares:

	<b>Common Voting Shares</b>	
	<b>Number<sup>1</sup></b>	<b>Amount</b>
Balance, July 31, 2006	90,250,764	\$ 502,760
Share issuance for cash	113,905,586	920,083
Balance, July 31, 2007 and October 31, 2007	204,156,350	1,422,843
Share issuance for cash	32,892,863	460,479
Adjustment to share capital from contributed surplus for options exercised	-	14
Balance, July 31, 2008	237,049,213	\$1,883,336

<sup>1</sup> Number of shares are not shown in thousands

**Issuance**

The fiscal 2007 acquisition of the Limited Voting Common Shares of AU (Note 1) was substantially funded by net proceeds from four subscription receipt offerings, comprised of three public market bought deals and a private placement.

The 113,905,586 subscription receipts were exchanged into an equivalent number of common shares of the Company upon the take-up by the Company of the AU Limited Voting and Common Shares on May 29, 2007. In accordance with the capital nature of these transactions, underwriter fees and other costs of \$25.2 million, net of taxes, were reflected as a fiscal 2007 charge to retained earnings in shareholders' equity.

On May 9, 2008, the Company issued 28.6 million common shares, on a bought deal basis at a price of \$14.00 per common share, to a syndicate of underwriters as part of a \$400.4 million offering. As well, on May 9, 2008, in relation to the \$400.4 million offering, the underwriters exercised in full an Over-Allotment Option to purchase an additional 4.29 million common shares at a price of \$14.00 per common share for additional gross proceeds of \$60.1 million. The underwriters' over-allotment option closed on May 14, 2008.

The Company raised gross proceeds from the common share offering and subsequent over-allotment of \$460.5 million. Underwriters' fees and other costs associated with the offering and the over-allotment were approximately \$19.0 million. In accordance with the capital nature of this transaction, the associated costs are reflected as a charge to shareholders' equity and reflected in the retained earnings of the Company. Net proceeds from the offering and over-allotment of \$441.5 million will be used for general corporate purposes, and in particular, are expected to be used to fund future acquisitions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### b) Management Stock Option Plan

During fiscal 2008 the Management Stock Option Plan (the “Stock Option Plan”) was reactivated after being inactive since fiscal 2004. At the shareholder meeting held on March 12, 2008 certain amendments were made to the Stock Option Plan. Under the amendments, the maximum number of Common Shares that may be issued under Options issued pursuant to the Stock Option Plan will increase from approximately 3.7 million Common Shares to approximately 10.2 million Common Shares. Once the 0.7 million Common Shares that can potentially be issued under currently granted and contingently granted Options are deducted, approximately 9.5 million Common Shares would be reserved for subsequent Option Grants. Options previously granted under the Stock Option Plan were approved by the Board of Directors.

Options granted prior to October 31, 2007 are fully vested, the last of which expires before August 14, 2013. Options granted subsequent to October 31, 2007 contingently vest after July 31, 2010 and expire on July 31, 2015.

The expense related to stock options is based on the fair value of options vested in the period, and is determined by the Black-Scholes option pricing model with the following assumptions: risk-free rate 3.75%, dividend yield 0%, a volatility factor of the expected market price of the Company’s shares of 37%, and a weighted average expected option life of 5.5 years.

	Number of Options <sup>1</sup>	Weighted Average Exercise Price	Number of Options Exercisable <sup>1</sup>	Weighted Average Exercise Price
Outstanding July 31, 2006	88,424	\$ 84.45	81,353	\$ 90.42
Cancelled	(6,790)	\$ 136.10		
Outstanding, July 31, 2007	81,634	\$ 80.15	78,979	\$ 67.09
Cancelled	(1,307)	\$ 243.35		
Outstanding October 31, 2007	80,327	\$ 77.50	80,327	\$ 77.50
Options granted	253,758	\$ 12.12		
Cancelled	(175)	\$ 13.07		
Exercised	(2,863)	\$ 7.06		
Outstanding July 31, 2008	331,047	\$ 28.03	77,289	\$ 64.35

<sup>1</sup>Number of options are not shown in thousands

Of the 331,047 options outstanding, 77,289 are exercisable stock options at July 31, 2008, 10.29% have an exercise price of \$6.50 or less; the remainder have an exercise price at, or greater than, \$31.00. At July 31, 2008, the Company’s shares closed at \$12.10.

## 8. EMPLOYEE FUTURE BENEFITS

### a) Saskatchewan Wheat Pool/Grain Services Union Pension Plan

On July 1, 2008 the Company and the Grain Services Union (“GSU”) finalized the settlement of the dispute surrounding the Saskatchewan Wheat Pool/Grain Services Union Pension Plan (“the Plan”).

The Plan was originally established to provide defined benefits on the basis of contributions negotiated between the Company and the GSU. Since the cost was intended to be limited to the negotiated rates of contribution, the Company had, prior to July 1, 2008, accounted for this Plan as a defined contribution plan.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Further details of the dispute should be read in conjunction with the Company's annual consolidated financial statements for the 15-month fiscal year ended October 31, 2007.

Since October 2007, by agreement with the Office of the Superintendent of Financial Institutions ("OSFI"), the Company has been remitting an amount equal to its disputed additional quarterly contributions to a separate security arrangement, which amounts were included in "Cash in Trust" on the Company's Consolidated Balance Sheet pending resolution of the dispute.

In order to settle the dispute the following key terms were finalized simultaneously on July 1, 2008:

- Viterra became responsible for paying \$16.6 million into the Plan from the separate security arrangement. However, this amount and all future solvency deficiency payments are segregated in a reverting trust (secondary account) within the Plan so that any amounts paid in, but not required on ultimate windup would be refunded to the Company.
- Active members stop accruing pensionable service under the Plan and move to a defined contribution plan. However, benefits that were earned in the Plan will stay with the Plan and will be paid out upon the employee's retirement in the normal course.
- Viterra accepts full responsibility for all benefits accrued under the Plan and is responsible for making all solvency deficiency payments.
- Viterra becomes sole administrator of the Plan and acquires sole discretion to windup the Plan.

The financial statement impact of the above is that effective July 1, 2008:

- The previous \$20 million provision accrued regarding the potential liability to dissolve the dispute has been reversed.
- The initial \$16.6 million obligation for payment into the Plan is expensed as a cost of resolving the dispute because at the July 1, 2008 date of dispute settlement, the Company is not entitled to any funds contributed to the Plan. The \$16.6 million expense consists of two components:
  - \$7.1 million represents the deficiency of the Plan prior to amounts from the secondary account.
  - \$9.5 million represents the amount that is subject to the valuation allowance as described in the tables below.
- The amendments to the Plan text are substantial and pervasive. Effective July 1, 2008, Viterra became at risk for the actuarial and investment risk of the Plan. Therefore, at this date, the Plan is effectively a new defined benefit plan and is required to be accounted for as such.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2008 (unaudited) - in thousands of Canadian dollars, except as noted

	Three Months Ended		Nine Months Ended	
	July 31		July 31	
	2008	2007	2008	2007
Impact of dispute settlement surrounding the GSU Pension Plan:				
Provision for pension settlement	\$ -	\$ -	\$ -	\$ (5,000)
Reversal of provision for pension settlement	20,000	-	20,000	-
Cost of dispute settlement	(16,644)	-	(16,644)	-
Recovery of (provision for) pension settlement	\$ 3,356	\$ -	\$ 3,356	\$ (5,000)

The information in the table below is based on actuarial valuation results as of December 31, 2007, with extrapolations to July 1, 2008 and July 31, 2008. The projected accrued benefit actuarial cost method pro-rated on service is used for this valuation. The assets are valued at market value on July 1, 2008 and July 31, 2008. The effective date of the next required actuarial valuation is December 31, 2010.

As at	July 31, 2008	July 31, 2007	October 31, 2007
<b>Plan Assets</b>			
Fair value, beginning of period	\$ -	\$ -	\$ -
Fair value of assets added July 1, 2008	233,100	-	-
Fair value of secondary account at July 1, 2008	16,644	-	-
Actual return on plan assets	1,236	-	-
Employer contributions	491	-	-
Benefits paid	(2,000)	-	-
Fair value, end of period	249,471	-	-
<b>Accrued Benefit Obligation</b>			
Balance, beginning of period	-	-	-
Obligations added July 1, 2008	240,220	-	-
Current service cost	-	-	-
Interest cost	1,181	-	-
Benefits paid	(2,000)	-	-
Balance, end of period	239,401	-	-
Funded status - plan surplus	10,070	-	-
Unamortized net actuarial gain	-	-	-
Accrued benefit asset	10,070	-	-
Valuation allowance	(10,070)	-	-
Accrued benefit asset, net of valuation allowance	\$ -	\$ -	\$ -

The percentage of plan assets by major category is:

As at	July 31, 2008	July 31, 2007	October 31, 2007
Canadian Equities	32%	-	-
Global Equities	24%	-	-
Bonds	40%	-	-
Other	4%	-	-
	100%	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The significant weighted average actuarial assumptions adopted in measuring the Company's accrued benefit assets are as follows:

As at	July 31, 2008	July 31, 2007	October 31, 2007
Discount rate (accrued benefit obligation)	6.00%	-	-
Expected long-term rate of return on plan assets	6.00%	-	-
Rate of compensation increase	3.50%	-	-
Average remaining service period – years	-	-	-

Net benefit expense is comprised of:

	Three Months Ended July 31		Nine Months Ended July 31	
	2008	2007	2008	2007
Actual and expected return on plan assets	\$ (1,236)	\$ -	\$ (1,236)	\$ -
Current service cost	-	-	-	-
Interest cost	1,181	-	1,181	-
Valuation allowance provided against accrued benefit asset	546	-	546	-
Net benefit expense	\$ 491	\$ -	\$ 491	\$ -

It is the intention of the Company to settle its obligation to current pensioners of the Plan by purchasing annuities when, in the opinion of management, it is prudent to do so. The cost of settling this portion of the pension obligation will be reflected at the time the annuities are purchased.

**b) Defined Benefit Plans and Future Benefits**

The Company's net benefit costs related to defined benefit pension plans and other future benefits for the respective three and nine month periods ended July 31, 2008 were \$0.8 million and \$1.2 million (2007 - \$0.4 million and \$0.9 million).

**c) Defined Contribution Plans**

The Company, including subsidiaries and affiliates, contributes to several defined contribution plans. The Company's defined contribution plan expense for the respective three and nine month periods ended July 31, 2008 was \$2.2 million and \$6.3 million (2007 - \$0.9 million and \$3.0 million).

### 9. FINANCING EXPENSES

	Three Months Ended July 31		Nine Months Ended July 31	
	2008	2007	2008	2007
Interest on:				
Long-term debt	\$ 10,170	\$ 4,630	\$ 23,266	\$ 8,752
Short-term debt	(1,069)	11,008	11,078	12,281
CWB carrying charge recovery	(1,950)	(1,316)	(5,782)	(2,663)
	7,151	14,322	28,562	18,370
Interest accretion	451	-	664	-
Amortization of deferred financing costs	768	491	2,288	1,473
	\$ 8,370	\$ 14,813	\$ 31,514	\$ 19,843

Interest on short-term debt for the nine-month period ended July 31, 2008 is net of approximately \$6.3 million of interest revenue recorded as a result of the successful appeal of a Canada Revenue Agency ("CRA") reassessment of the Company's 1997 taxation year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**10. SEGMENTED INFORMATION**

	Three Months Ended July 31		Nine Months Ended July 31	
	2008	2007	2008	2007
<b>Sales and Other Operating Revenues</b>				
Grain Handling and Marketing	\$ 983,594	\$ 707,523	\$3,116,780	\$1,315,764
Agri-products	1,009,789	588,343	1,378,206	761,786
Agri-food Processing	48,915	44,142	144,125	117,590
Livestock Feed and Services	183,786	73,430	444,196	73,430
Financial Products	4,067	2,248	8,127	2,248
	2,230,151	1,415,686	5,091,434	2,270,818
<b>Less Inter-segment Sales:</b>				
Grain Handling and Marketing	(11,763)	(15,752)	(30,173)	(21,801)
Agri-products	(159)	-	(513)	-
Agri-food Processing	-	249	-	249
	\$2,218,229	\$1,400,183	\$5,060,748	\$2,249,266
<b>Gross Profit and Net Revenues from Services</b>				
Grain Handling and Marketing	\$ 127,186	\$ 112,051	\$ 364,930	\$ 205,074
Agri-products	255,444	142,923	347,824	177,197
Agri-food Processing	10,103	6,157	27,530	18,547
Livestock Feed and Services	17,605	10,841	54,988	10,841
Financial Products	4,067	2,218	8,127	2,218
	\$ 414,405	\$ 274,190	\$ 803,399	\$ 413,877
<b>Operating, General and Administrative Expenses</b>				
Grain Handling and Marketing	\$ (48,590)	\$ (48,753)	\$ (135,724)	\$ (96,791)
Agri-products	(53,054)	(40,917)	(114,994)	(62,378)
Agri-food Processing	(1,728)	(2,901)	(5,641)	(6,370)
Livestock Feed and Services	(18,022)	(7,914)	(53,154)	(7,914)
Financial Products	(1,051)	(1,539)	(3,188)	(1,539)
Corporate	(19,407)	(18,797)	(58,352)	(35,341)
	\$ (141,852)	\$(120,821)	\$(371,053)	\$ (210,333)
<b>EBITDA<sup>(1)</sup></b>				
Grain Handling and Marketing	\$ 78,596	\$ 63,298	\$ 229,206	\$ 108,283
Agri-products	202,390	102,006	232,830	114,819
Agri-food Processing	8,375	3,256	21,889	12,177
Livestock Feed and Services	(417)	2,927	1,834	2,927
Financial Products	3,016	679	4,939	679
Corporate	(19,407)	(18,797)	(58,352)	(35,341)
	\$ 272,553	\$ 153,369	\$ 432,346	\$ 203,544

(1) EBITDA – Earnings before interest, taxes, depreciation and amortization, gain on disposal of assets, integration expenses and recovery of (provision for) pension settlement

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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	Three Months Ended July 31		Nine Months Ended July 31	
	2008	2007	2008	2007
<b>Amortization</b>				
Grain Handling and Marketing	\$ (9,861)	\$ (7,294)	\$(30,464)	\$ (13,739)
Agri-products	(11,401)	(5,218)	(33,967)	(10,766)
Agri-food Processing	(1,501)	(1,557)	(4,390)	(4,460)
Livestock Feed and Services	(2,737)	(1,058)	(7,435)	(1,058)
Financial Products	(105)	(100)	(315)	(100)
Corporate	20	(536)	(35)	(536)
	<b>\$ (25,585)</b>	<b>\$ (15,763)</b>	<b>\$(76,606)</b>	<b>\$ (30,659)</b>
<b>EBIT<sup>(2)</sup></b>				
Grain Handling and Marketing	\$ 68,735	\$ 56,004	\$ 198,742	\$ 94,544
Agri-products	190,989	96,788	198,863	104,053
Agri-food Processing	6,874	1,699	17,499	7,717
Livestock Feed and Services	(3,154)	1,869	(5,601)	1,869
Financial Products	2,911	579	4,624	579
Corporate	(19,387)	(19,333)	(58,387)	(35,877)
	<b>\$ 246,968</b>	<b>\$ 137,606</b>	<b>\$ 355,740</b>	<b>\$ 172,885</b>

(2) EBIT – earnings before interest, taxes, gain on disposal of assets, integration expenses and recovery of (provision for) pension settlement

## 11. COMMITMENTS, CONTINGENCIES AND GUARANTEES

### a) Letters of Credit

At July 31, 2008, the Company had outstanding letters of credit and similar instruments of \$45.0 million related to operating an agri-business (July 31, 2007 - \$95.0 million; October 31, 2007 - \$81.8 million). The terms range in duration and expire at various dates from August 2008 to March 2009. The amounts vary depending on underlying business activity or the specific agreements in place with the third parties. These instruments effectively reduce the amount of cash that can be drawn on the revolving credit facility.

### b) Loan Loss Provision

Under the terms of an agreement, a financial institution provided credit for the purchase of crop inputs to certain customers of the Company in the Agri-products segment. The agreement was terminated on January 31, 2008 on payment of a termination fee and the acquired amounts were sold to a Canadian Schedule I chartered bank in February 2008.

### c) Indemnification of Accounts Receivable

Viterra Financial<sup>TM</sup> - the Company has a rolling five-year agreement with a Canadian Schedule I chartered bank to provide credit for qualifying agricultural producers to purchase crop inputs. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. Viterra indemnifies the bank for 50% of future losses to a maximum of 5% of the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the size of the underlying portfolio. As at July 31, 2008, the Company's obligation for past and future losses is current with the bank in accordance with the Agency Agreement.

Unifeed Financial<sup>®</sup> - the Company has a rolling five-year agreement with a Canadian Schedule I chartered bank to provide loans to customers to purchase feeder cattle and feeder hogs, as well as related feed inputs, with terms that do not require payment until the

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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livestock is sold. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. Viterra indemnifies the bank for credit losses based on the first 20% to 33% of new credit issued on an individual account, dependent on the account's underlying credit rating, with losses in excess of these amounts shared on an equal basis with the bank up to 5% on the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the credit rating of the underlying accounts and the aggregate credit outstanding. As at July 31, 2008, the Company's obligation for past and future losses is current with the bank in accordance with the Agency Agreement.

### d) Loan Guarantees

The Company is contingently liable under several guarantees given to third-party lenders who have provided long-term financing to certain independent hog producers. As at July 31, 2008, the current outstanding balance of these guarantees was \$2.9 million. These guarantees diminish as the underlying loans are repaid and expire between 2009 and 2014.

The Company is contingently liable under two guarantees given to two third-party lenders who have provided certain financing facilities to its wholly owned foreign subsidiaries. As at July 31, 2008, the maximum amounts of the guarantees are U.S. \$150,000 and JPY 2 billion, or approximately \$19.1 million in aggregate.

The Company is contingently liable to a finance company for a portion of losses incurred related to potential producer delinquencies associated with equipment leases and credit provided for the purchase of fertilizer bins. Given historically low delinquent rates in conjunction with collateral values of assets, the Company has accrued no obligation.

### e) Asset Retirement Obligations

In 1987, a joint venture, which manufactured phosphate and nitrate fertilizers, closed two of its facilities. The asset retirement obligations represent the best estimate by Westco management of the legal obligations it would incur during the reclamation process. Reclamation involves the demolition of the manufacturing facilities and the reclamation of the phosphogypsum stacks. Uncertainty exists regarding the estimation of future decommissioning and reclamation costs.

At July 31, 2008, the Company estimated that the undiscounted cash flow required to settle the asset retirement obligations was approximately \$17.6 million, which is expected to be settled over the 2008 through 2015 period. The credit adjusted risk-free rates at which the estimated cash flows have been discounted range from 4% to 5.15%.

### f) Director and Officer Indemnification

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for its directors and officers as well as those of certain affiliated companies.

### g) Other Indemnification Provisions

From time to time, the Company enters into agreements in the normal course of operations and in connection with business or asset acquisitions or dispositions. By their nature, these agreements may provide for indemnification of counterparties. The varying nature of these indemnification agreements prevents the Company from making a reasonable

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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estimate of the maximum potential amount it could incur. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

### h) Other Contingencies

As at July 31, 2008, there were claims against the Company in varying amounts for which a provision in the financial statements is not considered necessary. The occurrence of the confirming future event is not determinable or it is not possible to determine the amounts that may ultimately be assessed against the Company with respect to these claims. Management believes that any such amounts would not have a material impact on the business or financial position of the Company.

## 12. CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

### a) Financial Instruments

Effective November 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; Section 3251, Equity; Section 1530, Comprehensive Income; Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation.

Under these new standards, all financial assets and financial liabilities, including derivatives, are initially recognized at transition at fair value or amortized cost on the Consolidated Balance Sheet.

Financial and non-financial derivative instruments are used by the Company to reduce its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. In the normal course of business, the Company does not hold or issue derivative instruments for derivative trading purposes. Any change in the value of the derivatives is reported in earnings, unless the derivative qualifies as a cash flow hedge and hedge accounting is applied. At November 1, 2007, the Company identified only one contract with an embedded derivative which had nominal value.

During the quarter, the Company has designated interest rate swaps as cash flow hedges to manage variable interest rates associated with some of the Company's debt portfolio. Changes in fair value of a derivative designated as a cash flow hedge for accounting purposes are reported in other comprehensive income. To the extent the change in fair value of the derivative is not completely offset by the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded immediately in net earnings. Amounts accumulated in other comprehensive income are reclassified to net earnings when the hedged item is recognized in net earnings.

Transaction costs related to financial assets or liabilities, other than those held for trading, adjust the carrying amount of the underlying instrument. These costs are then amortized over the instrument's remaining expected life using the effective interest rate method and are included as part of financing expenses. Transaction costs related to financial assets or liabilities classified as held for trading are expensed as incurred.

These changes in accounting policy were applied retrospectively without restatement of comparative financial statements with the exception of the reclassification of the currency

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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translation account of \$1,029 to accumulated other comprehensive income. As at November 1, 2007, the Company has recorded the following adjustments:

	Accumulated Other Comprehensive Income	Retained Earnings	Total
	Increase / (Decrease)	Increase / (Decrease)	Increase / (Decrease)
Investments	\$ 254	\$ -	\$ 254
Accounts receivable	8,744	-	8,744
Other long-term assets	-	(6,759)	(6,759)
	\$ 8,998	\$ (6,759)	\$ 2,239
Long-term debt	\$ -	\$ (6,833)	\$ (6,833)
Future income tax - liability	2,839	24	2,863
	\$ 2,839	\$ (6,809)	\$ (3,970)
Retained earnings	\$ -	\$ 50	\$ 50
Accumulated other comprehensive income	6,159	-	6,159
	\$ 6,159	\$ 50	\$ 6,209
	\$ 8,998	\$ (6,759)	\$ 2,239

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments:

- The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include cash, cash in trust, short-term investments, accounts receivable, bank indebtedness, short-term borrowings and accounts payable and accrued liabilities.
- Investments that are classified as Available for Sale have been recorded at their fair value based on closing market quotations, if available. The fair value of investments that do not have an active trading market have been recorded at cost.
- The fair value of long-term debt with fixed interest rates is estimated by discounting the expected future cash flows using the risk-free interest rate on an instrument with similar terms adjusted for an appropriate risk premium for the Company's credit profile.
- The fair value of interest rate swaps was estimated by discounting net cash flows of the swaps using forward interest rates for swaps of the same remaining maturity.
- Foreign exchange contracts, commodity contracts and exchange-traded derivatives are valued based on closing market quotations.
- The fair value of long-term receivables and payables were calculated using discounted cash flows.

The following table presents the carrying amount and the fair value of the Company's financial instruments and non-financial derivatives. Amortized cost is calculated using the effective interest rate method. Fair value is based on quoted market prices when available. However, when financial instruments lack an available trading market, fair value is determined using management's estimates and is calculated using market factors for instruments with similar characteristics and risk profiles. Management does not believe that using different market factors would significantly affect the assessed value. These amounts represent point-in-time estimates and may not reflect fair value in the future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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These calculations are subjective in nature, involve uncertainties and are a matter of significant judgment.

	July 31, 2008		Financial Instruments Category	November 1, 2007
	Carrying Value	Fair Value		Carrying Value
Cash	\$ 49,153	\$ 49,153	HFT	\$ 24,600
Cash in trust	-	-	HFT	16,710
Short-term investments	491,339	491,339	HFT-D	44,051
Accounts receivable				
Loans and receivables	656,341	656,341	L&R	438,939
Commodity contracts and exchange-traded derivatives	98,889	98,889	HFT	28,719
	755,230	755,230		467,658
Investments:				
Available for sale at fair value	140	140	AFS	258
Available for sale at cost	8,078	8,078	AFS	7,815
Non-financial instrument	8,064	-	N/A	11,379
	16,282			19,452
Other long-term assets:				
Long-term receivable	4,794	4,794	L&R	7,319
Non-financial instrument	45,917	-	N/A	47,155
	50,711			54,474
Bank indebtedness	1,211	1,211	OFL	4,501
Short-term borrowings	123,579	123,579	OFL	352,527
Accounts payable and accrued liabilities				
Other liabilities	632,803	632,803	OFL	711,412
Commodity contracts and exchange-traded derivatives	9,782	9,782	HFT	12,533
	642,585	642,585		723,945
Long-term debt, including current portion	599,687	616,659	OFL	304,316
Other long-term liabilities				
Classified as other liabilities	19,504	19,504	OFL	12,758
Non-financial instrument	38,598	-	N/A	47,497
	58,102			60,255
Financial instruments category/guide:	HFT	Held for trading		
	HFT-D	Held for trading – designated		
	L&R	Loans and receivables		
	AFS	Available for sale		
	OFL	Other financial liabilities		
	N/A	Not applicable		

Changes in fair value of commodity contracts and exchange-traded derivatives are included in cost of sales.

### Significant Accounting Policies

#### *Available for Sale*

Financial assets classified as Available for Sale are carried at fair value with the changes in fair value initially recorded in other comprehensive income until they are assessed to be impaired or disposed of at which time they flow through the Consolidated Statement of

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Earnings. Securities that are classified as Available for Sale and do not have a readily available market value are recorded at cost.

### ***Held for Trading***

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as Held for Trading. These instruments are accounted for at fair value with the change in the value recognized in cost of sales. Instruments designated as cash flow hedges follow hedge accounting.

### ***Held for Trading - Designated***

The Company has elected to designate short-term investments as Held for Trading. These instruments are accounted for at fair value with the change in the value recognized in Sales and other operating revenues.

### ***Held to Maturity***

The Company does not have any financial instruments that were classified as Held to Maturity.

### ***Loans and Receivables***

Loans and Receivables are accounted for at amortized cost using the effective interest rate method.

### ***Other Financial Liabilities***

Other Financial Liabilities are accounted for at amortized cost using the effective interest rate method.

### **Risks and Risk Management**

The Company faces certain financial risks such as commodity price, foreign exchange, interest rate, credit and liquidity risk which can impact its financial performance. For additional information on other general and environmental risks and how they arise and are managed, readers should review the 2007 Annual Information Form and Section 17 of the 2007 Annual Report.

### ***Commodity Price Risk***

The Company is exposed to commodity price movements within the market as part of its normal operations. The Company uses exchange-traded futures and options contracts to minimize the effects of changes in the prices of hedgable agricultural commodities on its agri-business inventories and agricultural commodities forward cash purchase and sales contracts. Exchange-traded futures and options contracts are valued at the quoted market prices. Forward purchase contracts and forward sales contracts are valued at the quoted market prices, which are based on exchange quoted prices adjusted for freight and handling costs. This is consistent with the Company's practice in the prior year. The Company manages the risk associated with inventory and open contracts on a combined basis. The Company's Risk Management Policy provides limits within which management may maintain inventory and certain long or short commodity positions. Based on the Company's July 31, 2008 closing positions, a \$10 per tonne change in market prices and a \$2 per tonne change in basis levels would result in a \$0.6 million change to the Company's after tax earnings on unhedged positions. During the quarter, the Company entered into natural gas contracts to manage the risk associated with nitrogen fertilizer production. In relation to the natural gas contracts outstanding at July

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31, 2008, a \$1 per gigajoule change in market prices would result in a \$1.1 million change to the Company's after tax earnings.

### ***Foreign Exchange Risk***

The Company is exposed to foreign exchange risk on financial commodity contracts which are denominated in US dollars. The Company uses derivative financial instruments, such as foreign currency forward contracts and futures contracts, to limit exposures to changes in foreign currency exchange rates with respect to its recorded foreign currency denominated assets and liabilities. Certain areas of the Company not related to the handling and marketing of grain have discontinued hedge accounting and have thereby increased the potential for volatility in income on these previously hedged contracts. These contracts as well as the foreign currency forward and futures contracts in the remaining areas of the Company are marked-to-market and unrealized gains and losses are recognized in income in the period in which they occur.

The Company also has immaterial exposures to currencies other than the US dollar such as British pounds and Euros.

### ***Interest Rate Risk***

The Company manages interest rate risk and currency risk on borrowings by using a combination of cash instruments, forwards and a mixture of fixed and floating rates. The Company has entered into interest rate swaps to manage variable interest rates associated with a portion of the Company's debt portfolio. The corporation uses hedge accounting for interest rate swaps used to hedge long-term debt. Hedge accounting treatment results in interest expense on the related debt being reflected at hedged rates rather than at variable interest rates. The effective portion of changes in the fair value is recognized in other comprehensive income while any ineffective portion of changes in the fair value is recognized immediately in financing expenses. Gains and losses are recognized in financing expenses in the same period as the hedged item is settled. Based on the Company's current credit ratings and interest rate swaps, the hedged fixed rate of interest on the facility is at approximately 6.3% on Canadian dollar borrowings and approximately 6.5% on US dollar borrowings. The effect of a 25 basis point change on the \$225 million Canadian dollar interest rate swap would result in a \$1.6 million change to the Company's after tax other comprehensive income, and no change to after tax net earnings. The effect of a 25 basis point change on the \$75 million US dollar interest rate swap would result in a \$0.5 million change to the Company's after tax other comprehensive income, and no change to after tax net earnings. Based on the July 31, 2008 closing borrowing, the Company is exposed to interest rate risk on short-term variable rate borrowings. The Company's short-term borrowings fluctuate with seasonal working capital requirements. A 1% increase in short-term variable rates based on July 31, 2008 borrowings would decrease after tax earnings by \$0.8 million per annum.

### ***Credit Risk***

The Company is exposed to credit risk in respect of trade receivables as well as to risk if counterparties do not fulfill their contractual obligations. The Company manages exposure to potential credit risk in respect of trade receivables through ongoing credit reviews of all significant contracts and analysis of payment and loss history. The absence of significant financial concentration of such receivables limits its exposure to credit risk. Credit risk exposure for the Agri-products and Livestock segments are also limited through an arrangement with a Canadian Schedule I chartered bank which provides for

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limited recourse to the Company for credit losses on accounts receivable under Viterra Financial and Unifeed Financial.

The allowance for bad debts as at October 31, 2007 was \$16.9 million and was \$19.7 million at July 31, 2008. All bad debt write-offs are charged to general and administrative expense.

Its maximum credit exposure at the balance sheet date consists primarily of the carrying amounts of non-derivative financial assets such as Accounts Receivable and Long-term Receivables as well as the fair value of commodity contracts and exchange-traded derivatives included in Accounts Receivable.

### ***Liquidity Risk***

The Company actively maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. Please see Section 6.6 of the MD&A for contractual maturities of financial liabilities at July 31, 2008. Management believes that future cash flows from operations and availability under existing banking arrangements will be adequate to support these financial liabilities.

### ***Collateral***

The Company has pledged accounts receivable with a carrying value of \$722.5 million as security for short term borrowings. The Company has not pledged any short-term investments as security for exchange-traded derivatives.

### **b) Non-hedgable grain inventories and related commodity contracts**

The Company has historically classified its grain inventories and related derivative contracts into two categories. Hedgable grain inventories are those for which the market risk associated with inventory positions is managed through exchange traded futures instruments. Non-hedgable grain inventories include inventories for which there are no exchange traded instruments but where cash traded instruments are commonly used to manage market risk. The Company manages the market risk associated with inventory and open contracts on a combined basis.

Prior to October 31, 2007 non-hedgable grain inventories and related commodity contracts were valued on a combined basis at the lower of cost and net realizable value. During the period, the Company has adopted the policy of valuing its non-hedgable grain inventories on the basis of market quotations less freight and handling costs. Gains and losses on related open grain purchase and sales contracts are based on estimated fair value. This new policy, in addition to providing consistency with its existing accounting policy for hedgable inventories and commodities is consistent with the fair value measurement requirements adopted on November 1, 2007 for financial instruments and other derivative contracts of the Company. The impact of this change in accounting policy has been recorded retrospectively with restatement of the prior period.

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As at October 31, 2007, the Company has recorded the following adjustments as a result of this change in accounting policy:

	Increase
Accounts receivable	\$ 2,149
Inventories	\$ 16,878
Accounts payable	\$ 11,242
Future income taxes	\$ 2,491
Retained earnings, as at October 31, 2007	\$ 5,294

There was no impact of this change in accounting policy on the deficit of the Company as at July 31, 2006. For the three and nine months ended July 31, 2007, net earnings increased by \$2.5 million, net of a tax provision of \$1.2 million. Net earnings for the 15 months ended October 31, 2007 increased by \$5.3 million, net of a tax provision of \$2.5 million. The Company no longer supports the former accounting systems associated with non-hedgable grain inventories, therefore the impact of this accounting policy change to earnings for the three and nine month periods ended July 31, 2008 is not determinable.

**c) Other**

The Company also adopted CICA Handbook Section 1506 Accounting Changes and Section 1535 Capital Disclosures, effective November 1, 2007. These sections resulted in additional financial statement note disclosure.

### 13. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to strive for a long term manageable level of debt to total capital. Due to the seasonal nature of the Company's short-term borrowing requirements the Company's objective is to manage the level of debt to total capital between 30% to 40%.

Debt to total capital is defined as total interest bearing debt divided by total interest bearing debt plus the book value of total shareholders' equity. Interest bearing debt is the aggregate of bank indebtedness, short-term borrowings, long-term debt due within one year and long-term debt.

As at	July 31, 2008	July 31, 2007	October 31, 2007
Bank indebtedness	\$ 1,211	\$ 18,735	\$ 4,501
Short-term borrowings	123,579	827,055	352,527
Total short-term debt	\$ 124,790	\$ 845,790	\$ 357,028
Long-term debt due within one year	\$ 12,118	\$ 4,179	\$ 3,736
Long-term debt	587,569	109,944	307,413
Total long-term debt	\$ 599,687	\$ 114,123	\$ 311,149
Total interest bearing debt	\$ 724,477	\$ 959,913	\$ 668,177
Shareholders' Equity	\$ 2,165,538	\$ 1,472,807	\$ 1,474,621
Total Capital	\$ 2,890,015	\$ 2,432,720	\$ 2,142,798
Debt to total capital:			
As at the balance sheet date	25:75	39:61	31:69
Four quarter average	33:67	33:67	34:66

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### 14. FUTURE ACCOUNTING CHANGES

#### a) Inventories

In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning November 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

#### b) Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning November 1, 2008. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

### 15. CORPORATE TAXES

Included in the Company's year-to-date provision for corporate taxes is a \$17.3 million recovery which reflects the impact of declining federal tax rates on the Company's net future tax liability. The recovery is primarily made up of the impact of the change to substantively enacted rates on the opening balance sheet.

Also included in the Company's year-to-date provision for corporate taxes is a \$5 million recovery as a result of the successful appeal of a CRA reassessment of the company's 1997 taxation year. The non-taxable portion of the related interest recovery further reduced the Company's income tax expense by \$1.8 million.

### 16. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to current period presentation.