

NEWS RELEASE

Trading symbol: RCL on The Toronto Stock Exchange

FOR IMMEDIATE RELEASE

RIDLEY ANNOUNCES THIRD STRAIGHT YEAR OF EARNINGS GROWTH AND FURTHER DEBT REDUCTION IN FISCAL 2006

Mankato, Minnesota / Winnipeg, Manitoba, August 21, 2006 – Ridley Inc., (www.ridleyinc.com) one of the largest animal nutrition companies in North America, today reported results for its fiscal 2006 fourth quarter and year ended June 30, 2006. All currency figures are stated in U.S. dollars.

“Each of our businesses was able to deliver increases in volumes, improvements in product mix, and reductions in controllable operating expenses this year despite weather disruptions and higher energy costs that had a negative impact on earnings across the company, and especially in the feed supplement blocks business of Ridley Nutrition Solutions (RNS),” said Steve VanRoekel, Ridley Inc. President and Chief Executive Officer. “The result was our third consecutive year of earnings growth.”

“We are reporting a 23% increase in earnings over fiscal 2005, following increases of 32% and 36% respectively in fiscal 2005 and 2004. Ridley’s net earnings in fiscal 2006 were \$13.2 million (diluted earnings per share of \$0.96) compared with net earnings of \$10.7 million (diluted earnings per share of \$0.77) in 2005.”

“Another year of strong cash flows, when coupled with disciplined capital spending, also led to further reduction in debt levels by \$18.6 million in fiscal 2006,” added VanRoekel. “We closed fiscal 2006 with net debt to equity of 17%.”

“One highlight of the year for the Management team was the progress our employees made towards our goal of becoming a world-class safety company. Through our Safety First initiative, we reduced lost time injury frequency rates and total recordable injury rates by 37% and 44% respectively, each well ahead of our goals. We are quite proud of this achievement but look forward to even better results in fiscal 2007 and beyond.”

“Our feed supplement blocks business in particular struggled with weather related challenges. While we incurred no direct physical damage or personal injury, three of this past season’s hurricanes had a disruptive impact on cane molasses production, freight costs, and demand in

our Southern U.S. plants. This was compounded by a severe drought in the Southwest, beet molasses shortages last summer, and of course much higher energy costs throughout our business. Management in the feed supplements block business performed well in working through these disruptions, and while earnings were negatively impacted, still managed to deliver higher volumes and reduced controllable expenses that will produce better results under normal circumstances.”

“The best performance in fiscal 2006 came from our core feed business, Ridley Feed Operations (RFO), which operated in a relatively favourable meat, milk, and egg production environment in fiscal 2006. RFO produced a combination of volume increases, expense reductions, and reduced bad debts that led to earnings ahead of expectations. In particular, the Canadian portion of RFO overcame a number of significant challenges in recent years and the results there were the earnings highlight of the year at Ridley Inc.”

“Setting the weather aside, the production economic environment during fiscal 2006 was generally quite favourable. While producer returns in general deteriorated throughout the year and are expected to do so well into fiscal 2007, we nonetheless expect improvements in RNS and as a result continued favourable results in the coming year.”

The following summary data is presented to assist in reading the explanations of results:

(Millions of dollars, except for EPS)	Three Months Ended 30 June 06	Three Months Ended 30 June 05	Twelve Months Ended 30 June 06	Twelve Months Ended 30 June 05
Sales	115.7	109.1	505.6	478.5
Net earnings from continuing operations	2.1	1.2	13.2	11.1
Discontinued operations	-	(0.2)	-	(0.4)
Net earnings	2.1	1.0	13.2	10.7
Diluted EPS	0.15	0.07	0.96	0.77
EBITDA*	4.7	3.7	28.5	28.3

*EBITDA – operating income before amortization and asset impairment loss. EBITDA does not have a standardized meaning prescribed by Canadian GAAP and therefore is not readily comparable to similar measures presented by other companies. However, management believes that this measure provides investors with useful supplemental information.

Fourth Quarter Results

Sales revenues increased 6.0% to \$115.7 million compared to \$109.1 million in the fourth quarter of fiscal 2005. Generally, a comparison of revenue on a dollar basis is not necessarily indicative of the strength of Ridley's business because revenue can be influenced by

fluctuating commodities prices. In the fiscal 2006 fourth quarter, sales volumes were lower by about 1.0% as an early spring with very mild weather produced good pasture conditions and reduced demand for beef feed and supplements. Higher selling prices per ton, as a result of input costs in 2006, offset the slight reduction in sales volume.

Gross profit was \$19.0 million compared with \$18.8 million in the fourth quarter of fiscal 2005. Percentage margins were slightly lower compared with the fiscal 2005 results due to the higher input costs, particularly the cost of raw materials and of transporting raw materials to the production facilities, and higher manufacturing costs due to higher energy prices.

Fiscal 2006 operating expenses were \$0.6 million lower than the comparable period for the previous year, at \$16.4 million in 2006, down from \$17.1 million in 2005, with most of the reduction, approximately \$1.0 million, being attributable to RFO. Ongoing savings from the cost reduction program and lower bad debt provisions contributed significantly to the reduction. Operating expenses for RNS were about \$0.2 million higher in 2006 due to the start-up of the new equine center in Chambersburg, Pennsylvania, which opened in May 2005, and an increase in unallocated operating expenses is primarily attributable to higher professional and legal fees.

Operating income for the quarter was \$2.5 million compared with \$1.7 million in the fourth quarter of fiscal 2005. Bank borrowings were lower in the fiscal 2006 fourth quarter, resulting in a \$0.2 million reduction in interest expense, from \$0.6 million to \$0.4 million.

Income tax provisions in the fourth quarter of fiscal 2006 include favourable adjustments for the release of \$0.4 million in valuation reserves on net operating loss carry-forwards. Net operating loss carry-forwards of \$9.5 million remain with expiry dates ranging from 2010 to 2015.

Earnings from continuing operations were \$2.1 million for the fiscal 2006 fourth quarter compared with \$1.2 million in 2005. The reported fourth quarter fiscal 2005 loss in discontinued operations is related to funding of pension obligations in the U.K.

The Company's net income of \$2.1 million in the fourth quarter of fiscal 2006 (\$0.15 per diluted share) compares to net income of \$1.0 million (\$0.07 per diluted share) in fiscal 2005. EBITDA were \$4.7 million in the fiscal 2006 fourth quarter, compared with \$3.7 million for the previous year.

Twelve Month Results

Sales revenue for 2006 increased by \$27.0 million, or 5.6%, to \$505.6 million compared with \$478.5 million in 2005. As noted earlier, revenue can be influenced by fluctuating commodities prices. Feed sales volumes increased in fiscal 2006 by 1.5%, with the balance of the increase in revenue being due to higher selling prices per ton, reflecting higher input costs. All of Ridley's businesses reported an increase in sales volumes, although in fiscal 2006 the Sweetlix feed supplement business includes a full twelve months of results and only eleven months results in fiscal 2005, from the date of its acquisition on July 30, 2004. Excluding the additional month of operations, Sweetlix volumes would have been flat.

Cost of sales increased by \$26.0 million, to \$417.1 million compared with \$391.1 million in the previous year. Gross profit for 2006 of \$88.5 million was \$1.1 million or 1.1% higher than

the 2005 total of \$87.4 million. As noted above in the fourth quarter discussion, percentage margins are smaller compared with the fiscal 2005 results as a result of higher input costs, including feed ingredients, transportation, energy and workers' compensation. The RNS operations in particular have experienced a sharp increase in the cost of feed ingredients, especially for molasses, and ongoing higher transportation costs and logistical disruptions resulting from the hurricanes in the southeastern U.S. As a percentage of revenue, gross profit in 2006 was 17.5% compared with 18.3% in 2005.

Total operating expenses, including selling, general and administrative expenses, amortization, and research and development, were \$68.4 million for the year, or \$0.1 million higher than the 2005 total of \$68.3 million. Operating expenses in 2006 were reduced by a claim settlement received from a U.S. supplier in the amount of \$0.7 million. Operating expenses in 2005 include a write-down of \$1.2 million for a feed mill in St. Paul that was closed, and were reduced by claim settlement income of \$2.5 million. Exclusive of these items, operating expenses were \$69.2 million in fiscal 2006 and \$69.6 million in fiscal 2005, a reduction of \$0.4 million. The Company's cost reduction program, instituted in the second quarter of fiscal 2005, continues to yield results and bad debt provisions are much reduced in 2006, but some of the savings have been offset by higher professional and legal fees.

Ridley's operating income of \$20.1 million was \$1.0 million higher than the \$19.1 million recorded in 2005. Bank indebtedness has been reduced by \$17.1 million from a year ago, reducing overall debt service costs by \$1.2 million. Interest expense was \$2.0 million in 2006 compared with \$3.2 million the previous year.

Income taxes as a percentage of net earnings before income taxes decreased from 32.5% in 2005 to 29.9% in 2006. Income tax provisions include favourable adjustments for recovery of contingencies for tax positions of \$0.6 million and release of valuation reserves on net operating loss carry-forwards of \$0.8 million. The Company expects to fully utilize remaining net operating loss carry-forwards; therefore a valuation reserve is no longer required. Partially offsetting these recoveries is a charge for \$0.6 million related to Canadian taxable foreign exchange gains on U.S. denominated debt. The Company recorded a reduction in future tax liability of \$0.3 million associated with substantially enacted tax regulations in Canada, which reduce the statutory income tax rate to 31% by 2010.

Net earnings in fiscal 2006 were \$13.2 million (diluted earnings per share of \$0.96), an increase of \$2.5 million, or 22.9%, compared with net earnings of \$10.7 million (diluted earnings per share of \$0.77) in 2005. EBITDA were \$28.5 million in fiscal 2006, compared with \$28.3 million for the previous year.

Segment Results

RFO produced improved results in 2006, with increased sales volumes and profitability, a more stable ingredient market and a disciplined approach to expense management. Revenue increased by \$17.5 million or 4.4%, from \$400.0 million in 2005 to \$417.5 million in 2006. Increased revenues for RFO were the result of an overall increase in feed sales volume of 0.8% and higher selling prices per ton, the latter reflecting higher input costs. Although winter weather conditions throughout Ridley's trading area were not favourable for feed sales in fiscal 2006, with a mild winter and a warm and dry spring, RFO has been aggressive in winning new customers and delivering increased sales volumes, helping to offset the higher input and operating costs.

The Canadian plants had been hampered throughout fiscal 2005 by cross-border issues related to BSE and countervailing duties on hogs, affecting the ability of beef and swine producers to ship their product to the United States. The resolution of those issues and reopening of the Canada/U.S. border to some live cattle shipments, combined with aggressive sales and marketing in the Canadian market, produced an increase of 4.6% in sales volumes in fiscal 2006. The rebound in Canada, combined with Mendota's solid growth of 8.6% in sales volume, helped to offset a slight decline of 1.6% in sales tons by the U.S. plants.

RFO's total operating expenses decreased by \$3.1 million before the asset impairment loss and claim settlement income described below. The cost reduction plan that was introduced in the first quarter of fiscal 2005 in response to a challenging operating environment produced incremental savings in fiscal 2006 of approximately \$2.0 million. In addition, a generally favourable environment for livestock production and careful management of credit risk reduced bad debt provisions in fiscal 2006 by \$1.1 million.

The 2005 operating expenses included a \$1.2 million asset impairment loss taken on closure of the St. Paul, Alberta plant. The St. Paul facility was closed in the second quarter of 2005 because it operated in a marketplace experiencing reduced livestock numbers and it was no longer viable.

RFO operating expenses were reduced in both years by receipt of claim settlements from U.S. suppliers, \$0.8 million in fiscal 2006 and \$2.5 million in fiscal 2005. After taking all factors into consideration, RFO's 2005 operating expenses were \$49.6 million in 2006, down \$2.6 million from \$52.2 million in 2005.

The operating income of Ridley Feed Operations increased by \$4.5 million to \$19.2 million in 2006 from \$14.8 million in 2005.

RNS revenues increased by \$9.5 million, or 12.1%, to \$88.1 million in 2005 from \$78.6 million in 2005. All of the RNS businesses, low moisture blocks, Sweetlix supplements and equine products, reported increased revenues and sales volumes in fiscal 2006. The low moisture block operations recorded an increase in sales volumes of 6.7% over last year, and the equine business increased sales volumes by 18.9%. Sweetlix revenues and volumes were up slightly over fiscal 2005 when the business reported 11 months of operating results after its acquisition on July 30, 2004.

Despite an increase in sales volume of 5.7% for RNS, this achievement fell short of management's expectations for the year. Product sales for low moisture blocks and Sweetlix feed supplements were hampered in fiscal 2006, and to some extent in fiscal 2005 as well, by a lack of winter snow cover until well into the winter season. Sweetlix sales and operations were impacted heavily by the devastating hurricanes in the fall of 2005 (the first quarter of fiscal 2006), creating severe transportation disruptions for a number of months. In addition, extremely dry conditions in the southern U.S. reduced winter wheat pasture for cattle, curtailing Sweetlix feed supplement sales opportunities.

Operating income for Ridley Nutrition Solutions decreased by \$1.6 million, to \$6.8 million from \$8.4 million in 2005.

Forward Looking

This report contains “forward-looking” information. The forward-looking information includes statements concerning the Company’s outlook for the future, as well as other statements of beliefs, plans and strategies or anticipated events, and similar expressions concerning matters that are not historical facts. Forward-looking information and statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, contemplated or implied by, such statements. These risks and uncertainties include the ability to make effective acquisitions and successfully integrate newly acquired businesses into existing operations, the availability and prices of raw materials and supplies, livestock disease, product pricing, the competitive environment and related market conditions, operating efficiencies, access to capital, the cost of compliance with environmental and health standards and other regulatory requirements affecting the Company’s business, adverse results from ongoing litigation and actions of domestic and foreign governments. Other risks are outlined in the Risk Management section of the MD&A included in the Company’s Annual Report. Unless otherwise required by applicable securities law, the Company disclaims any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions readers not to place undue reliance upon forward-looking statements.

Outlook

Livestock production economics were generally favourable in fiscal 2006 although they deteriorated late in the year, and are expected to be weaker in fiscal 2007. However, Ridley’s animal nutrition businesses are reasonably diversified in all livestock sectors, with no single customer representing more than 1.5% of the Company’s total gross sales, and sales are well balanced amongst the various species.

A challenge facing the Company is the ongoing lawsuits filed against the Government of Canada and Ridley Inc. The Company has kept the market informed of all material developments in the lawsuits by the timely issuance of press releases and filing of Material Change Reports. At this time the Company cannot determine what impact, if any, these proposed lawsuits may have on future earnings.

Ridley will continue to be vigilant in monitoring its cost structure, will invest in a disciplined manner in capital projects that increase plant efficiency and provide a safe working environment, and strengthen its financial position through effective management of its invested capital. Assuming normal weather patterns for fiscal 2007, and given what is expected to be a less favourable environment for livestock production economics in the second half of calendar 2006, Ridley is looking for continued stability in operating results for fiscal 2007.

Stock Option Amendment

Further to the amendment of Ridley Inc.'s stock option plan approved by the Board of Directors in August 2005, the Board has now approved an additional and final amendment to the plan. Consistent with the amendment introduced last year, the Board has changed the stock option plan to provide option holders with a cash settlement alternative when exercising stock options.

Under the new amendment, on exercise of options, employees can elect to receive cash from the Company rather than acquiring shares and selling them into the open market. The Company believes that allowing employees to receive cash is a straightforward method of dealing with the lack of liquidity in Ridley's shares. The cash settlement alternative will be available until the close of business on November 6, 2006, at which time all remaining options under the plan will expire.

As a result of the amendment, the Company expects to record a maximum after-tax compensation expense of approximately \$106,000 in fiscal 2007, based on the total number of in-the-money options and the current price range for the stock. This projected expense includes all remaining options that are outstanding. Ridley introduced a long-term incentive plan in July 2003 with the intent that it would replace the stock option plan. As such, further grants of stock options have not and will not be made, and Ridley expects that the amendment approved today will facilitate the winding up of the stock option plan.

Ridley Inc., headquartered in Mankato, Minnesota and Winnipeg, Manitoba, is one of North America's leading livestock feed manufacturers. The company manufactures a full line of livestock feed and markets its products under a series of brand names.

Ridley's common shares are listed on The Toronto Stock Exchange (Trading symbol: RCL).

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Ridley Inc.

Consolidated Balance Sheets

(Unaudited) (expressed in thousands of U.S. dollars)

	As Of June 30	
	2006	2005
Assets		
Current Assets		
Cash and short-term deposits	2,676	1,280
Accounts receivable	28,237	26,392
Inventories	40,728	37,286
Income taxes recoverable	1,176	-
Prepays and other current assets	1,118	1,143
Current portion of loans receivable	2,051	2,421
Future income tax benefit	2,341	2,013
	78,327	70,535
Loans receivable, less current portion	1,866	3,269
Property, plant and equipment	96,149	95,847
Other assets	3,471	3,083
Other intangibles	3,941	4,026
Goodwill	49,503	47,411
	233,257	224,171
Liabilities		
Current Liabilities		
Outstanding cheques in excess of bank balance	-	5,523
Short-term debt	3,242	2,298
Accounts payable and accrued liabilities	35,898	28,924
Advances from customers	6,645	2,397
Income taxes payable	940	81
Current portion of long-term debt	174	6,073
	46,899	45,296
Long-term debt, less current portion	19,856	32,024
Future income tax liability	26,329	23,624
Other accrued liabilities	4,146	4,038
Non-controlling interest	-	467
	97,230	105,449
Shareholders' Equity		
Share capital	57,435	57,191
Cumulative foreign currency translation adjustment	10,975	7,128
Retained earnings	67,617	54,403
	136,027	118,722
	233,257	224,171

Ridley Inc.

Consolidated Statements of Earnings and Retained Earnings

(Unaudited) (expressed in thousands of U.S. dollars, except per share information)

	Year Ended June	
	<u>30</u>	
	2006	2005
Revenue	505,563	478,534
Cost of sales	417,084	391,117
Gross profit	88,479	87,417
Operating expenses		
Selling, general and administrative	59,773	60,393
Amortization of property, plant and equipment	7,989	7,581
Research and development	967	1,191
Other amortization	425	439
Claim settlement income	(748)	(2,484)
Asset impairment loss	-	1,218
	68,406	68,338
Operating income	20,073	19,079
Interest expense	1,998	3,160
Interest income	(767)	(800)
Earnings before income taxes	18,842	16,719
Provision for income taxes	5,628	5,433
Non-controlling share of net income	-	143
Net earnings from continuing operations	13,214	11,143
Loss from discontinued operations	-	(395)
Net earnings	13,214	10,748
Retained earnings, beginning of period	54,403	43,655
Retained earnings, end of period	67,617	54,403
Earnings per share from continuing operations		
– basic	0.96	0.81
– diluted	0.96	0.80
Net earnings per share		
– basic	0.96	0.78
– diluted	0.96	0.77

Ridley Inc.

Consolidated Statements of Cash Flows

(Unaudited) (expressed in thousands of U.S. dollars)

	Year Ended June 30	
	2006	2005
Cash flow from operating activities:		
Net earnings for the period	13,214	10,748
Add (deduct) items not affecting cash:		
Amortization of property, plant and equipment	7,989	7,581
Future income taxes	1,932	431
Loss on sale of property, plant and equipment	326	253
Asset impairment loss	-	1,218
Other amortization	425	439
Loan impairments	-	948
Other items not affecting cash	101	130
	23,987	21,748
Net change in non-cash working capital balances related to operations:		
Accounts receivable	61	3,351
Inventories	(2,549)	1,077
Prepaid expenses	71	537
Accounts payable, accrued liabilities and advances from customers	8,168	(5,953)
Income taxes payable (recoverable)	696	(1,561)
Net cash from operating activities	30,434	19,199
Cash flow from investing activities		
Proceeds on disposal of property, plant and equipment	655	1,740
Purchase of property, plant and equipment and investments	(6,393)	(8,773)
Decrease in loans receivable	1,716	1,537
Business acquisitions	(1,132)	(18,191)
Other investing activities	(117)	-
Net cash utilized for investing activities	(5,271)	(23,687)
Cash flow from financing activities		
Repayment of short- and long-term debt	(36,381)	(38,745)
Proceeds from short- and long-term debt	17,756	35,452
Issuance of share capital	244	219
Net cash utilized for financing activities	(18,381)	(3,074)
Effect of exchange rate changes on cash	137	(51)
Increase (decrease) in cash and cash equivalents	6,919	(7,613)
Cash and cash equivalents – beginning of year	(4,243)	3,370
Cash and cash equivalents – end of year	2,676	(4,243)
Cash and cash equivalents		
Cash and short-term deposits	2,676	1,280
Outstanding cheques in excess of bank balance	-	(5,523)
	2,676	(4,243)