

# NEWS RELEASE

Trading symbol: RCL on The Toronto Stock Exchange

FOR IMMEDIATE RELEASE

## RIDLEY REPORTS FINANCIAL RESULTS FOR FISCAL 2007 FOURTH QUARTER AND YEAR-END

**Mankato, Minnesota / Winnipeg, Manitoba, August 20, 2007** — Ridley Inc. (TSX: RCL) today reported its financial results for the fourth quarter and year ended June 30, 2007. All currency amounts are stated in U.S. dollars.

For the full twelve months of fiscal 2007, Ridley earned \$9.0 million or 65 cents per share compared to \$13.2 million or 96 cents per share last year. About half of the \$4.2 million reduction in after-tax earnings was due to a \$2.1 million asset impairment loss on closure of a redundant production facility. Earnings before interest, taxes and amortization (EBITA\*) was \$26.5 million compared to \$28.5 million last year.

“The reduction in Ridley Inc.’s EBITA in fiscal 2007 from fiscal 2006 was primarily the result of two factors: firstly, softer demand for block supplements within Ridley Nutrition Solutions (RNS) resulting from unfavourable weather conditions during our peak fall and winter seasons; and secondly, a reduction in earnings from the Canadian side of Ridley Feed Operations (RFO). The Canadian business suffered throughout the year from a relatively poor livestock production economic climate as well as competitive pressures. These two factors offset a solid increase in EBITA from our core U.S. feed business, Hubbard Feeds, and another year of record sales and earnings growth from our U.S. based micro-ingredient business. Full year net earnings were lower as a result of the reduced EBITA and one-time charges incurred in closing an obsolete manufacturing plant in Lacombe, Alberta,” said Steve VanRoekel, President and CEO of Ridley Inc.

Ridley Inc. realized net earnings after tax of \$1.3 million for the fourth quarter of fiscal 2007, compared to \$2.1 million in the same period last year. EBITA for the fourth quarter was \$3.9 million compared to \$4.7 million last year.

“The fourth quarter was really a continuation of the first three, except that more favourable weather conditions for block supplement sales helped lift RNS gross profits more than 15% ahead of the same period last year. Gross profits from our Canadian feed operations were more than one-third behind last year”, added VanRoekel.

“Higher raw material prices during much of fiscal 2007 and a nearly 5% stronger Canadian dollar lifted year-end inventories and receivables by 25% and 9% respectively. However, I’m happy to say management was able to keep both inventory turnover and days sales outstanding largely unchanged from last year. Despite inflationary pressures, management was also able to deliver selling, general and administrative expenses below last year”, commented VanRoekel.

“Finally, I want to especially recognize our employees for delivering another 40% reduction in total recordable injuries and a 6% reduction in our lost-time injury frequency rate. In just our third full year since launching our Safety First initiative, our results are approaching world-class. Naturally, our ultimate goal must be to reach for zero injuries, so we continue to advance this vital effort.”

The following summary data is presented to assist in understanding the fiscal 2007 fourth quarter results:

(Millions of U.S. dollars except for EPS)	3 Months Ended 30 June 2007	3 Months Ended 30 June 2006	12 Months Ended 30 June 2007	12 Months Ended 30 June 2006
Revenue	\$126.3	\$115.7	\$531.6	\$505.6
Net earnings from continuing operations (before asset impairment loss after income tax)	1.2	2.1	10.3	13.2
Asset impairment loss (after tax)	-	-	(2.1)	-
Net earnings from continuing operations	1.2	2.1	8.2	13.2
Discontinued operations	0.1	-	0.7	-
Net earnings	1.3	2.1	9.0	13.2
Diluted EPS	0.10	0.15	0.65	0.96
EBITA*	3.9	4.7	26.5	28.5

\*EBITA – Operating income before amortization and asset impairment loss. EBITA 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.

### Consolidated Fourth Quarter Results

Revenue increased by 9.2% to \$126.3 million compared with \$115.7 million in the fourth quarter of 2006. 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 commodity prices. The revenue increase in the fourth quarter of 2007 is largely attributable to commodity price inflation and the long-term shift in product mix from lower-margin complete feeds towards higher value-added supplements and lower-inclusion premixes.

In the fiscal 2007 fourth quarter, feed sales volumes declined by 4.3% relative to last year, mainly due to lower complete feed tonnage. Demand was also soft for beef feeds as a result of unfavourable pasture conditions in the U.S.

Gross profit was \$18.5 million compared with \$19.0 million in the fourth quarter of fiscal 2006. Gross profits declined mainly as a result of the loss of customers following the departure of sales personnel from a business unit in Canada, offset partially by improved gross profits in all other business units.

Overall operating expenses in the fourth quarter were \$16.8 million, a small increase compared to the previous year. Good expense control has been maintained in selling, general and administrative expenses.

Operating income before interest and taxes in the fourth quarter was \$1.7 million compared to \$2.5 million last year. Interest expense net of interest income of \$0.2 million was slightly lower than the previous year.

Fourth quarter income tax provisions were \$0.3 million compared to \$0.2 million in the previous year. Fourth quarter 2007 results include a tax benefit of \$0.3 million on realization of non-taxable foreign currency gains. Income tax provisions in the fourth quarter of fiscal 2006 include \$0.4 million favourable adjustments from the release of valuation reserves on net operating loss carry-forwards.

Discontinued operations relate to the Company's former swine genetics business in the United Kingdom that was sold in 2002. The Company recognized net earnings from discontinued operations of \$0.1 million as adjusting estimates of income tax benefits exceeded final liquidation expenses of the remaining holding company structure.

Net earnings for the fiscal 2007 fourth quarter were \$1.3 million (diluted earnings per share of \$0.10) compared with \$2.1 million (diluted earnings per share of \$0.15) in fiscal 2006. EBITA was \$3.9 million in the fourth quarter of fiscal 2007 and \$4.7 million for the same period in 2006.

### **Twelve Months Results**

Revenue for the full 12 months of fiscal 2007 increased by 5.1% to \$531.6 million compared with \$505.6 million in fiscal 2006. The increase is attributable to higher selling prices per ton, reflecting the higher costs of feed ingredients and the shift in volume to higher value added products. For fiscal 2007, feed sales volumes declined by 3.0% due to the continuing shift in product mix and soft demand for beef products resulting from relatively mild winter temperatures and unfavourable pasture conditions.

Gross profit for the full year of fiscal 2007 was \$87.0 million, compared with \$88.5 million in fiscal 2006. U.S. operations showed strong growth in gross profits for the year. However, this gain was offset by the sales lost from the departure of sales personnel in Canada and general weakness in the Canadian feed sector. Overall manufacturing costs remained well controlled.

Operating expenses, including selling, general and administrative and amortization, were \$72.5 million in fiscal 2007 compared to \$68.4 million in the previous year. The increase of \$4.1 million from the previous year was due mainly to a \$3.1 million (before tax) asset impairment loss recorded for the plant closure in Canada. Also, operating expenses in fiscal 2006 included claim settlement income of \$0.7 million received from a supplier. Excluding these two unusual items, operating expenses in 2007 would be \$69.4 million, comparable to the \$69.1 million in operating expenses in fiscal 2006.

Interest expense net of interest income was \$1.2 million in fiscal 2007, unchanged from the previous year.

As was previously reported, all options in the Company's stock have been exercised, leaving no options outstanding. The cost of the cash settlement to option holders was \$0.2 million in fiscal 2007, compared with the \$0.1 million cost of an identical settlement to option holders in fiscal 2006.

The provision for income taxes in the full year of fiscal 2007 is \$5.0 million, compared to \$5.6 million recorded in fiscal 2006. Tax provisions in fiscal 2006 include the release of \$0.9 million in valuation allowances, \$0.6 recovery in tax positions offset by \$0.6 million in taxable foreign

exchange gains on U.S. denominated debt. The Company's effective income tax rate is a combination of the tax rates applied to the results of operations reported by the U.S. and Canadian entities. Income generated by the U.S. entities is taxed at a higher rate than in Canada, where the Canadian entities reported pre-tax losses, allowing for recognition of a tax benefit, but at a lower effective tax rate. The result is an average tax rate for the twelve-month period ended June 30, 2007 of 38% compared with 36% in the prior year, exclusive of adjustments and taxable foreign currency gains.

In fiscal 2007, the Company settled legal issues from the sale in 2002 of its U.K. swine genetics business, fully funded related pension obligations and liquidated the U.K. entity. Expenses associated with final resolution, realization of foreign currency translation gains and income tax benefits resulted in \$0.7 million net earnings from discontinued operations. The income tax benefit is associated with capital losses attributed to the liquidation that can be carried-back or utilized in the current year.

The resulting net earnings for the twelve months of 2007 were \$9.0 million (diluted earnings per share of \$0.65) compared with \$13.2 million (diluted earnings per share of \$0.96) in the twelve months of fiscal 2006. EBITA for the full year of fiscal 2007 was \$26.5 million compared with \$28.5 million in fiscal 2006.

## **Segment Results**

The Ridley Feed Operations (RFO) segment consists of full-line production facilities operating in the United States and Canada, producing and marketing products for the core animal nutrition market, and a plant in Mendota, Illinois, that operates as Ridley Feed Ingredients (RFI) and produces micro feed ingredients, vitamin and trace mineral premixes and feed additives.

Overall sales volumes for RFO were lower by 4.5% in the fourth quarter of fiscal 2007 and are 2.6% lower for the full year compared to last year. Sales volumes amongst the U.S. operations of RFO slipped by 4.8% in the fourth quarter of fiscal 2007 as a result of declining swine feed sales and lower seasonal volumes for young calves, but ended the year only 1.2% lower than the previous year. Canadian sales volumes were lower by 4.0% in the fourth quarter and by 5.0% on a full year basis as a result of weakening livestock producer economics. The strong Canadian dollar, lower producers' receipts and uncertainty over Canadian pork processing capacity have combined to depress sales volumes in swine feed.

Gross profit margins in the U.S. operations of RFO showed strong improvement, increasing by 11.2%, in the fourth quarter of fiscal 2007 and are 5.8% higher than last year on a twelve months basis. The loss of certain customer accounts stemming from sales force issues in Canada contributed to the major part of the 21% decrease in gross profits at the Canadian operations of RFO in fiscal 2007.

For the fourth quarter of fiscal 2007, RFO reported operating income of \$3.3 million, compared with \$4.0 million in the same period of fiscal 2006. For the full year fiscal 2007, operating income of RFO was \$12.9 million compared with \$19.2 million in the prior year. The asset impairment loss in the second quarter of fiscal 2007 and the claim settlement income reported in fiscal 2006 account for \$3.9 million of the \$6.3 million decrease in operating income. Lower results for the Canadian operations accounted for the remaining difference.

Ridley Nutrition Solutions (RNS) includes the feed supplement block operations and equine nutrition business. Sales volumes in the fourth quarter at RNS were 2.7% lower than last year, while sales volumes for the full year of fiscal 2007 were 5.5% lower than last year. Sales of equine

feeds continue to improve. However, unfavourable weather conditions in the southeast U.S. impacted block volumes which were 7.4% lower for the full year.

Gross profits in RNS increased 15.5% in the fourth quarter of 2007, helped by the growing contribution of equine volume and an improvement in margins per unit of volume resulting from a shift in the sales product mix to higher value-added products. On a year-over-year basis, RNS gross profits increased by 5.0%.

Corporate expenses were \$1.3 million in the fourth quarter of 2007, unchanged from the same period of 2006. Corporate expenses for the full year of fiscal 2007 were \$5.5 million, or \$0.5 million less than fiscal 2006. The reduction in corporate expense in fiscal 2007 is due primarily to lower salary and benefit levels and a reduction of insurance premiums.

### **Forward-Looking Information**

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**

The economic outlook for North American livestock producers in general for the near term is not expected to change dramatically from current conditions. The key indicators remain generally positive for U.S. producers of beef, pork, poultry, dairy and eggs but higher input costs remain a cause for concern to our customers. Demand for beef feeds will improve once normal pasture conditions return. We expect continuation of the good rate of growth in our U.S. operations next year.

Our Canadian operations will be challenged by the current environment of generally weaker returns to the beef and swine sectors. Canadian swine producers are enduring the adverse effects of high feed grain prices and lower slaughter prices due to the high value of the Canadian dollar. We are making progress on the recovery of customers lost in a single business unit in Canada earlier this year, but it will take time to rebuild that business to its previous level of income. We anticipate steady performance next year in the other segments that form the major part of our Canadian operations.

For the Company as a whole, we foresee no other disruptions in our customer markets or manufacturing operations that would affect expectations for a normal level of volume and earnings in the next fiscal quarter.

Ridley Inc. ([www.ridleyinc.com](http://www.ridleyinc.com)), headquartered in Mankato, Minnesota and Winnipeg, Manitoba, is one of North America's leading commercial animal nutrition companies. Ridley employs more than 1,000 people in the United States and Canada in the manufacture and distribution of a full range of animal nutrition products under highly regarded trade names.

Ridley's common shares are listed on The Toronto Stock Exchange (Trading symbol: RCL). Additional information, including our Annual Information Form (AIF), is available SEDAR at [www.sedar.com](http://www.sedar.com).

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**RIDLEY Inc.**  
**Consolidated Balance Sheet (Unaudited)**

(expressed in thousands of U.S. dollars)

	As of June 30	
	2007	2006
<b>Assets</b>		
<b>Current Assets</b>		
Cash and short-term deposits	2,315	2,676
Accounts receivable	30,733	28,237
Inventories (Note 5)	50,702	40,728
Income taxes recoverable	402	1,176
Prepays and other current assets	1,452	1,118
Current portion of loans receivable (Note 7)	1,755	2,051
Future income tax benefit (Note 18)	1,623	2,341
	<b>88,982</b>	78,327
<b>Loans receivable, less current portion (Note 7)</b>	<b>1,872</b>	1,866
<b>Property, plant and equipment (Note 8)</b>	<b>93,113</b>	96,149
<b>Other assets</b>	<b>3,182</b>	3,471
<b>Other intangibles (Note 6)</b>	<b>3,856</b>	3,941
<b>Goodwill</b>	<b>50,062</b>	49,503
	<b>241,067</b>	233,257
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Outstanding cheques in excess of bank balance	272	-
Short-term debt (Note 9)	3,711	3,242
Accounts payable and accrued liabilities	38,633	35,898
Advances from customers	3,116	6,645
Income taxes payable	1,329	940
Current portion of long-term debt (Note 10)	49	174
	<b>47,110</b>	46,899
<b>Long-term debt, less current portion (Note 10)</b>	<b>21,203</b>	19,856
<b>Future income tax liability (Note 18)</b>	<b>22,959</b>	26,329
<b>Other accrued liabilities</b>	<b>3,932</b>	4,146
	<b>95,204</b>	97,230
<b>Shareholders' Equity</b>		
<b>Share capital (Note 12)</b>	<b>57,604</b>	57,435
<b>Cumulative foreign currency translation adjustment (Note 13)</b>	<b>11,657</b>	10,975
<b>Retained earnings</b>	<b>76,602</b>	67,617
	<b>145,863</b>	136,027
	<b>241,067</b>	233,257

**RIDLEY Inc.****Consolidated Statement of Earnings and Retained Earnings (Unaudited)**

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

	Year Ended June 30	
	2007	2006
<b>Revenue</b>	<b>531,588</b>	505,563
<b>Cost of sales</b>	<b>444,609</b>	417,084
<b>Gross profit</b>	<b>86,979</b>	88,479
<b>Operating expenses</b>		
Selling, general and administrative	59,474	59,773
Amortization of property, plant and equipment	8,447	7,989
Research and development	1,046	967
Other amortization	368	425
Claim settlement income (Note 15)	-	(748)
Asset impairment loss (Note 14)	3,130	-
	<b>72,465</b>	68,406
<b>Operating income</b>	<b>14,514</b>	20,073
<b>Interest expense</b>	<b>1,977</b>	1,998
<b>Interest income</b>	<b>(749)</b>	(767)
<b>Earnings before income taxes</b>	<b>13,286</b>	18,842
<b>Provision for income taxes (Note 18)</b>	<b>5,037</b>	5,628
<b>Net earnings from continuing operations</b>	<b>8,249</b>	13,214
<b>Net earnings from discontinued operations (Note 3)</b>	<b>736</b>	-
<b>Net earnings</b>	<b>8,985</b>	13,214
<b>Retained earnings, beginning of year</b>	<b>67,617</b>	54,403
<b>Retained earnings, end of year</b>	<b>76,602</b>	67,617
<b>Earnings per share from continuing operations</b>		
– basic	.60	0.96
– diluted	.60	0.96
<b>Net earnings per share</b>		
– basic	.65	0.96
– diluted	.65	0.96

**RIDLEY Inc.**  
**Consolidated Statement of Cash Flows (Unaudited)**

(expressed in thousands of U.S. dollars)

	Year Ended June 30	
	2007	2006
<b>Cash flow from operating activities:</b>		
Net earnings for the year	8,985	13,214
Add (deduct) items not affecting cash:		
Amortization of property, plant and equipment	8,447	7,989
Future income taxes	(2,585)	1,932
Foreign currency translation gain (Note 3)	(813)	-
Loss on sale of property, plant and equipment	277	326
Asset impairment loss (Note 14)	3,130	-
Other amortization	368	425
Other items not affecting cash	191	101
	<b>18,000</b>	<b>23,987</b>
Net change in non-cash working capital balances related to operations:		
Accounts receivable	(1,928)	61
Inventories	(9,417)	(2,549)
Prepays and other current assets	(344)	71
Accounts payable and accrued liabilities	1,946	3,920
Advances from customers	(3,528)	4,248
Income taxes payable and recoverable	1,098	696
<b>Net cash from operating activities</b>	<b>5,827</b>	<b>30,434</b>
<b>Cash flow from investing activities</b>		
Proceeds on disposal of property, plant and equipment	401	655
Purchase of property, plant and equipment and investments	(8,031)	(6,393)
Decrease in loans receivable, net	322	1,716
Business acquisition (Note 4)	(138)	(1,132)
Other investing activities	-	(117)
<b>Net cash utilized for investing activities</b>	<b>(7,446)</b>	<b>(5,271)</b>
<b>Cash flow from financing activities</b>		
Repayment of short- and long-term debt	(28,016)	(36,381)
Proceeds from short- and long-term debt	29,022	17,756
Payment of finance costs	(181)	-
Issuance of share capital	169	244
<b>Net cash from (utilized for) financing activities</b>	<b>994</b>	<b>(18,381)</b>
<b>Effect of exchange rate changes on cash</b>	<b>(8)</b>	<b>137</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(633)</b>	<b>6,919</b>
<b>Cash and cash equivalents – beginning of year</b>	<b>2,676</b>	<b>(4,243)</b>
<b>Cash and cash equivalents – end of year</b>	<b>2,043</b>	<b>2,676</b>
<b>Cash and cash equivalents</b>		
Cash and short-term deposits	2,315	2,676
Outstanding cheques in excess of bank balance	(272)	-
	<b>2,043</b>	<b>2,676</b>