

NEWS RELEASE

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RIDLEY ANNOUNCES FOURTH QUARTER AND FISCAL 2004 RESULTS

Mankato, Minnesota / Winnipeg, Manitoba, August 30, 2004 – Ridley Inc., (www.ridleyinc.com) one of the largest commercial animal nutrition companies in North America, today reported results for its fiscal 2004 fourth quarter and year ended June 30, 2004. All currency figures are stated in Canadian dollars.

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 04	Three Months Ended 30 June 03	Twelve Months Ended 30 June 04	Twelve Months Ended 30 June 03
Sales	148.0	137.9	609.8	664.6
Net earnings from continuing operations	1.5	1.7	12.4	23.3
Discontinued operations	0.3	(8.5)	(1.5)	(13.0)
Net earnings (loss)	1.8	(6.7)	10.9	10.4
Diluted EPS	0.11	(0.49)	0.79	0.75
EBITDA*	4.9	5.9	34.0	53.8

*EBITDA – earnings from continuing operations before interest, income taxes, depreciation and amortization. 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.

“Net income, after taking into account the discontinued operations of Cotswold Swine Genetics, was \$1.8 million for the fiscal 2004 fourth quarter, compared with a loss of \$6.7 million for the comparable 2003 period,” said Bob Gallaway, Ridley Inc. President and Chief Executive Officer. “Ridley recorded earnings of \$1.5 million from continuing operations for the fourth quarter of fiscal 2004, compared with earnings from continuing operations of \$1.7 million for the same period in fiscal 2003.”

“Poor producer economics throughout much of fiscal 2004, the weaker U.S. dollar, the ongoing impact of BSE on the Canadian cattle industry, a reduction in the number of animals on feed and the fiscal 2003 USDA Drought Assistance Program, which inflated sales volumes and resulted in dealers and livestock producers stockpiling substantial inventories of product all combined to impact results throughout fiscal 2004,” said Gallaway.

Fourth Quarter Results

Sales revenues increased 7.4% to \$148.0 million compared with \$137.9 million in the year-earlier period. Generally, a comparison of sales on a dollar basis is not necessarily indicative of the strength of Ridley's business because fluctuating commodities prices can influence revenues. For the fourth quarter, sharply higher commodity prices for feed ingredients are the primary driver for the higher revenues. Feed sales volumes were lower in the fourth quarter (by about 3.8%) and the exchange rate used to convert U.S. dollar-denominated sales to Canadian dollar equivalent was also lower in the 2004 fourth quarter.

Consolidated gross profit was \$23.7 million in the fiscal 2004 fourth quarter compared with \$27.1 million in fiscal 2003, reflecting two factors. Firstly, feed sales volumes were lower in the fiscal 2004 period, and secondly, the reduced levels of manufacturing activity have affected plant utilization rates. Because of the impact of fixed manufacturing costs and the difficult operating environment, gross profit percentages are lower for the fiscal 2004 fourth quarter and full year. It should also be noted that the sharply higher commodity prices for feed ingredients in 2004 are included in both the revenues and cost of sales, having the effect of reducing percentage margins.

Operating expenses were \$21.1 million for the 2004 fourth quarter, down \$2.6 million from the 2003 corresponding period. The fiscal 2003 total includes a provision of \$4.0 million that Ridley recorded for an impaired loan receivable from a significant swine customer. The 2004 operating expenses include higher insurance and bad debts costs, mitigated by a slightly lower U.S. dollar exchange rate and the impact of a number of cost containment initiatives.

Ridley's lower levels of bank debt reduced interest expense in the fourth quarter of fiscal 2004 to \$1.1 million from \$1.4 million in the fourth quarter of fiscal 2003. Interest rates were relatively flat on a year-over-year basis. Net income from continuing operations was \$1.5 million in the 2004 fourth quarter compared with \$1.7 million in the corresponding 2003 period.

The discontinued operations of Cotswold Swine Genetics (CSG) produced an operating profit of \$0.3 million in the fiscal 2004 fourth quarter, taking advantage of very strong market hog prices for the period. The 2003 quarterly results include an after-tax loss of \$8.5 million on the discontinued operations of CSG, consisting of an after-tax operating loss of \$2.7 million, recognition of a \$9.2 million after-tax impairment on the assets, and a \$3.4 million tax benefit recognized on amalgamation of Ridley and the Cotswold Canada subsidiary on June 30, 2003.

Ridley's net income was \$1.8 million in the fourth quarter of fiscal 2004 (\$0.14 per diluted share), compared with a loss of \$6.7 million (\$0.49 loss per diluted share) in fiscal 2003.

Earnings before interest, income taxes, depreciation and goodwill amortization (EBITDA) were \$4.9 million in the fiscal 2004 fourth quarter, compared with \$5.9 million for the previous year.

Twelve Month Results

Sales revenues declined by \$54.8 million, or 8.2%, in fiscal 2004 to \$609.8 million from \$664.6 million in fiscal 2003. Feed sales volumes decreased in fiscal 2004 by 8.1% overall.

In fiscal 2003, U.S. sales volumes were driven substantially higher as a result of the drought assistance program introduced by the United States Department of Agriculture in August 2002. The program continued through to January 2003, helping to push Ridley's feed sales in fiscal 2003 to record levels, and generating strong profitability. Without a drought assistance program in fiscal 2004, and combined with improved moisture conditions and a mild winter resulting in better grazing for cattle, the U.S. Division recorded sharply reduced feed sales volumes.

Sales volumes declined in the Canadian Division as a result of the BSE situation, which devastated Canadian beef producers and drastically reduced feed sales since no live Canadian cattle can be shipped into the U.S. In addition, the swine sector was under duress for most of the year because of the extended period of low market hog prices and a lower U.S. dollar exchange rate, which reduced the revenue pork producers receive for hogs shipped into the U.S.

Cost of sales decreased by \$36.1 million to \$493.9 million compared with \$530.0 million in the previous year. Gross profit for 2004 of \$116.0 million was \$18.6 million lower than the 2003 total of \$134.6 million. As a percentage of revenue, gross profit decreased slightly from 20.2% in 2003 to 19.0% in 2004. The reasons for the changes are as described in the explanation of the fourth quarter results.

Total operating expenses, including selling, general & administrative expenses, depreciation, amortization, and research and development, were \$92.4 million for the year, or \$0.5 million higher than the 2003 total of \$91.9 million. Although the year-over-year change is not significant, the 2004 total includes higher costs for insurance, bad debts, severance and moving costs, offset by savings in other areas from cost containment efforts initiated during the year. The weakening U.S. dollar reduced reported operating expenses of the U.S. Division when its U.S. dollar-denominated expenses were converted to Canadian dollars for financial statement purposes.

The continuing uncertainty in the marketplace, particularly for Ridley's swine customers, caused the Company to increase its bad and doubtful debt reserves significantly in the fourth quarter of fiscal 2003 and throughout fiscal 2004. Bad debt expense, including loan impairments, was \$8.3 million in fiscal 2004, and \$4.4 million in fiscal 2003, both being significantly higher amounts than Ridley's historical credit loss experience.

Most of the bad debt expense reflects Ridley's exposure on a loan to a significant swine customer. Ridley had provided loans – linked to a long-term feed supply contract – to the customer in 1999 and 2000 as part of a restructuring and expansion of its operations. An outbreak of swine disease led to the customer's ultimate bankruptcy. Ridley had reserved \$4.0 million in the fourth quarter of fiscal 2003 to reflect the loan impairment, increased the reserve by \$1.2 million in the first half of fiscal 2004, then provided fully for the remaining exposure, recording an additional impairment reserve of \$5.0 million in the 2004 third quarter. Ridley has no other comparable exposure in its customer portfolio.

Ridley's operating income of \$23.6 million was \$19.0 million lower than the \$42.6 million recorded in 2003. Strong operating cash flow allowed Ridley to reduce bank debt again in fiscal 2004. The lower bank debt, combined with favorable interest rates, reduced interest expense by \$1.5 million to \$5.1 million in 2004 from \$6.6 million in fiscal 2003. Net income from continuing operations was \$12.4 million in fiscal 2004 compared with \$23.3 million in 2003.

The discontinued operations of Cotswold Swine Genetics (CSG) reported a loss of \$1.5 million in 2004 and \$13.0 million in 2003. Ridley announced its decision to divest the CSG operations in July 2003, and projected after-tax charges of \$1.8 million to fiscal 2004 earnings. The divestiture has been substantially completed within the timeframe and at the cost expected.

The \$13.0 million loss on discontinued operations in 2003 consists of operating losses of \$7.2 million net of tax benefits and an after-tax loss of \$9.2 million recorded to reflect impairment on the CSG assets, offset by a \$3.4 million tax benefit recognized on amalgamation of Ridley and the Cotswold Canada subsidiary.

Net earnings for 2004 were \$10.9 million (diluted earnings per share of \$0.79), compared with \$10.4 million (diluted earnings per share of \$0.75) in 2003. EBITDA were \$34.0 million in fiscal 2004, compared with \$53.8 million for the previous year.

Segment Results

Operating income for the U.S. Division in fiscal 2004 decreased by \$17.1 million to \$19.9 million from \$37.0 million in 2003. The decrease was due to sales volume declines for both the feed and block operations, a weakening of the U.S. dollar against the Canadian dollar from the prior year, negatively impacting results by approximately \$5.0 million, and a \$4.6 million charge for impaired loans receivable in the feed operations.

Beef feed sales and Low Moisture Blocks were impacted by the mild winter in the U.S. and a lack of snow cover, which led to good grazing conditions, a carryover of feed inventories from the USDA drought assistance program in fiscal 2003, and the 2001 – 2002 drought, that caused ranchers to move their cattle from the drought-stricken western and midwestern U.S. where Ridley's distribution network is strongest, to better grazing conditions in the southeast, where our distribution network is not as well established.

The reported incidents of Bovine Spongiform Encephalopathy (BSE) caused a major disruption of normal cattle movement in the U.S. Export markets were closed off, and similarly, imports of cattle from Canada were stopped. With beef supplies low and continuing strong domestic demand fuelled by the popularity of the Atkins diet, coupled with the loss of

Canadian supply, beef prices have been very high. Cow/calf operators took advantage of the record high prices by selling off cows and not retaining their heifers to build up their breeding herd. The short supply of cattle also caused feedlot operators to buy calves at a younger age and feed them longer.

The impact of these changes is that overall U.S. beef cattle numbers are down and the cattle are spending proportionally more time in feedlots and less time grazing in pastures, reducing demand for beef feed and Ridley's Low Moisture Blocks.

Operating income of the Canadian Division decreased by \$2.9 million to \$7.6 million in 2004 from \$10.5 million in 2003. The decrease was due to a combination of less volume and increased expenses, primarily in the areas of insurance and bad debts, offset partially by improved margins. The BSE case in Canada that closed the U.S. border for cattle and beef products is still impacting beef feed sales. The border was reopened for certain beef products, but is still not open to live animals. A planned transition to more sales of low inclusion products such as premixes and supplements, and less reliance on sales of complete feeds, was a factor in the Canadian Division's lower volumes.

Outlook

"Fiscal 2004 was a difficult year due to generally weak livestock production economics and other external factors described above. Many of the factors that impacted fiscal 2004's results will continue in fiscal 2005, calling for continued vigilance on the part of Ridley," Mr. Gallaway said.

"As we enter fiscal 2005, production economics for the swine, beef, dairy and poultry industries have improved on both sides of the border, although the Canadian beef industry is still contending with the U.S. border being closed to live cattle, and Canadian pork producers are suffering from the lower U.S. exchange rate on hogs they sell in the U.S. The current good prices for meat, milk and eggs usually translate to expansion by livestock producers and higher feed sales volumes generally follow. The question will be that of timing, but current conditions suggest a slow start in the first quarter of fiscal 2005.

"The other factors carrying over which will create some uncertainty will be the relative strength or weakness of the U.S. dollar, the potential for higher interest rates, a possible anti-dumping duty on Canadian hogs exported to the U.S., the impact of the BSE incidents and current border closing to live animals, and other disease issues such as avian influenza.

"While the current conditions would cause us to be cautious entering the new year, there are a number of positive developments within the Company that provide for optimism. We are coming off a year where we experienced some unusual charges for bad debts that we do not expect to repeat. The feed operations are showing success with new volume, maintaining margin levels, and will continue with the cost containment efforts started last year that will provide benefit for the future.

"The Company's block operations believe the cattle economy will remain strong, and new product introductions will provide additional earnings for the new fiscal year. The recently announced Sweetlix acquisition will have a positive impact on the new year and provide stability and strong market share for the future.

“Overall, we believe we have built a solid foundation for our business, and we expect to see earnings improvements in both divisions for fiscal 2005,” said Mr. Gallaway.

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 dollars)

	As of June 30	
	2004	2003
	(\$000)	(\$000)
Assets		
Current Assets		
Cash and short-term deposits	4,717	873
Accounts receivable	34,814	36,289
Inventories	45,872	42,226
Income taxes recoverable	-	3,354
Prepays and other current assets	2,042	1,821
Current portion of loans receivable	5,146	6,073
Current assets of discontinued operations	1,776	4,543
Future tax benefit	6,220	3,610
	100,587	98,789
Loans receivable, less current portion	5,518	12,023
Investments	186	414
Property, plant and equipment	116,534	112,912
Other assets	2,330	2,423
Goodwill	57,875	57,057
Non-current assets of discontinued operations	3,250	5,008
	286,280	288,626
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	44,947	44,118
Income taxes payable	1,686	-
Short-term debt	3,402	2,680
Current portion of long-term debt	15,748	13,138
Current liabilities of discontinued operations	2,115	1,638
	67,898	61,574
Long-term debt, less current portion	36,574	60,075
Future income tax liability	34,396	30,284
Pensions and postretirement benefits	4,620	4,569
Minority Interest	491	372
	143,979	156,874
Shareholders' Equity		
Share capital	84,368	83,912
Cumulative foreign currency translation adjustment	(11,607)	(10,803)
Retained earnings	69,540	58,643
	142,301	131,752
	286,280	288,626

Ridley Inc.
Consolidated Statements of Earnings and Retained Earnings (Unaudited)

(expressed in thousands of dollars)

	Year Ended June 30	
	2004 (\$000)	2003 (\$000)
Revenue	609,808	664,560
Cost of sales	493,857	530,000
Gross profit	115,951	134,560
Operating expenses		
Selling, general and administrative	80,608	79,690
Amortization of property, plant and equipment	9,800	10,158
Research and development	1,308	1,059
Other amortization	661	1,041
	92,377	91,948
Operating income	23,574	42,612
Interest expense	5,138	6,662
Loss on sale of investment	-	684
Other income, net	(1,245)	(1,873)
Earnings before income taxes	19,681	37,139
Provision for income taxes	7,139	13,692
Minority share of net earnings	114	105
Net earnings from continuing operations	12,428	23,342
Loss from discontinued operations	(1,531)	(12,992)
Net earnings	10,897	10,350
Retained earnings, beginning of period	58,643	48,293
Retained earnings, end of period	69,540	58,643
Earnings per share from continuing operations		
- basic	0.91	1.73
- diluted	0.90	1.69
Net earnings per share		
- basic	0.80	0.77
- diluted	0.79	0.75

Ridley Inc.
Consolidated Statements of Cash Flows (Unaudited)

(expressed in thousands of dollars)

	Year Ended June 30	
	2004 (\$000)	2003 (\$000)
Cash from (utilized for)		
Operating Activities		
Net earnings for the period	10,897	10,350
Items not affecting cash	15,662	26,123
	26,559	36,473
Net change in non-cash working capital balances related to operations:		
Accounts receivable	3,474	8,125
Inventories	(974)	(939)
Prepaid expenses	(272)	34
Accounts payable, accruals and other liabilities	(901)	(16,794)
Income taxes payable (recoverable)	4,828	(2,147)
Net cash from operating activities	32,714	24,752
Investing Activities		
Proceeds on disposal of property, plant and equipment	630	618
Proceeds on liquidated assets	4,823	-
Business acquisitions	(5,987)	(3,133)
Purchase of property, plant and equipment and investments	(10,003)	(9,872)
Decrease in loans receivable	1,280	999
Net cash utilized for investing activities	(9,257)	(11,388)
Financing Activities		
Repayment of short and long term debt	(46,887)	(43,235)
Proceeds from short and long term debt	27,326	27,158
Payment of finance costs	(129)	-
Issuance of share capital	456	1,814
Net cash utilized for financing activities	(19,234)	(14,263)
Effect of exchange rate changes on cash	(27)	(125)
Increase (decrease) in cash and short-term deposits	4,196	(1,024)
Net cash and short-term deposits - beginning	926	1,950
Net cash and short-term deposits - end	5,122	926
Cash of discontinued operations	(405)	(53)
Net cash and short-term deposits	4,717	873