



14 November 2003

Australian Stock Exchange Limited  
Company Announcements Office  
Level 6  
20 Bridge Street  
SYDNEY NSW 2000

Total Number of Pages: 9

Dear Sir,

**Ridley Inc. First Quarter Result of Fiscal 2004**

Attached is a press release of Ridley Inc., the 70% owned Canadian listed subsidiary of Ridley Corporation Limited for the first quarter of Fiscal 2004.

Yours faithfully,

C J PRIESTLEY  
COMPANY SECRETARY

Att.

Ref: 5689

# RIDLEY INC.

**Canadian Listed Company 70% owned by  
Ridley Corporation Limited**

## NEWS RELEASE

Trading symbol: RCL on The Toronto Stock Exchange

**FOR IMMEDIATE RELEASE**

### **RIDLEY REPORTS RESULTS FOR FIRST QUARTER OF FISCAL 2004**

**Mankato, Minnesota / Winnipeg, Manitoba, November 13, 2003** — Ridley Inc., ([www.ridleyinc.com](http://www.ridleyinc.com)) one of the largest commercial animal nutrition companies in North America, today reported earnings results for its fiscal 2004 first quarter ended September 30, 2003. All currency figures are stated in Canadian dollars.

"Ridley turned in an acceptable performance in the first quarter of fiscal 2004, despite achieving lower results than in the first quarter of fiscal 2003, when drought conditions across large areas of the U.S. Midwest resulted in a government drought relief program that pushed sales to unusually high levels," said Robert B. Gallaway, Ridley Inc. President and Chief Executive Officer.

"In the fiscal 2003 first quarter, the extended drought in the U.S. Midwest led to a drought relief program being introduced by the United States Department of Agriculture. The drought relief program created an artificially high demand for beef cattle feed. This year, better moisture conditions in most parts of the U.S. during the first quarter resulted in improved grazing conditions, which had a negative effect on sales volumes," Mr. Gallaway said.

The following summary data is presented to assist in understanding the fiscal 2004 first quarter results:

| <b>(Millions of dollars except for EPS)</b> | <b>Three Months Ended<br/>30 September 2003</b> | <b>Three Months Ended<br/>30 September 2002</b> |
|---------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Sales                                       | \$144.5                                         | \$166.3                                         |
| EBITDA (from continuing operations)         | 9.7                                             | 13.2                                            |
| Net earnings from continuing operations     | 3.6                                             | 5.6                                             |
| Discontinued operations                     | (0.2)                                           | (1.1)                                           |
| Net earnings                                | 3.4                                             | 4.5                                             |
| Diluted EPS                                 | 0.25                                            | 0.33                                            |

## **First Quarter Results**

Sales decreased by 13% to \$144.5 million compared with \$166.3 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 revenues can be influenced by fluctuating commodities prices. For this quarter, the lower sales revenues accurately reflect the Company's reduced sales volumes.

Margins in fiscal 2004 are comparable to the previous year, and consequently the reduced sales volumes resulted in a \$3.4 million reduction in gross profit in the first quarter, to \$28.5 million from \$31.9 million in the first quarter of fiscal 2003. Overall operating expenses in the fiscal 2004 first quarter were \$21.5 million, a reduction of \$0.1 million from the previous year. Operating income was \$7.0 million compared with \$10.3 million in the first quarter of fiscal 2003.

Bank debt continues to be reduced, and combined with slightly lower interest rates from a year ago, has resulted in a \$0.4 million reduction in interest expense. The remaining portion of the Company's discontinued swine genetics business, which is in the process of being divested over the course of the next year, reported a loss of \$0.2 million compared with a loss of \$1.1 in the first quarter of fiscal 2003 – an improvement of \$0.9 million.

Net earnings were \$3.4 million (diluted earnings per share of \$0.25) compared with \$4.5 million (diluted earnings per share of \$0.33) in the fiscal 2003 first quarter. Earnings before interest, income taxes, depreciation and amortization (EBITDA) were \$9.7 million in the fiscal 2004 first quarter, compared with \$13.2 million for the previous year. Traditionally, our first quarter results are weaker than the colder second and third fiscal quarters from October through March, when cattle have higher energy requirements and snow cover reduces their ability to graze.

On August 11, Ridley announced that it had acquired the assets and business of Heartland, Inc. in Bismarck, North Dakota. The Bismarck facility is being integrated into the existing operations of Hubbard Feeds, allowing Ridley to expand the scope of the markets it currently serves in North Dakota, South Dakota and Montana. The acquisition is proving to be a good fit and it should contribute immediately to Ridley's ongoing growth and success.

## **Segment Results**

The U.S. Division reported lower sales volumes in the first quarter, resulting in operating income of \$6.4 million compared with \$9.7 million in the fiscal 2003 first quarter. In the fiscal 2003 first quarter, the drought relief program introduced by the USDA in August 2002 helped the U.S. Division to generate a significant increase in sales volumes. Improved moisture conditions in the first quarter of fiscal 2004 have produced better grazing conditions and a downsizing of the drought relief program, resulting in more normal levels of feed sales.

A substantial component of the U.S. Division's lower operating income is related to foreign currency fluctuations. In converting the U.S. Division's earnings, the stronger Canadian dollar in fiscal 2004's first quarter had a \$0.9 million negative impact on earnings compared with the exchange rate used last year.

In Canada, feed sales volumes in the first quarter of fiscal 2004 were also down from a year ago, for two primary reasons. Ranchers have reduced their cattle herds in response to the BSE crisis, which has closed the U.S. border to shipments of live cattle, resulting in lower demand for beef feed. In addition, swine producers continue to be adversely affected by higher feed costs combined with low market hog prices, resulting in empty feeder barns.

The Canadian Division reported operating income of \$1.6 million, a reduction of \$0.2 million from the 2003 first quarter operating income of \$1.8 million.

Ridley announced on July 16 that it would divest its Cotswold Swine Genetics business in the face of significant and continuing losses resulting from the longest period of below break-even swine prices in North American history.

On September 23, Ridley announced that it had completed the sale of key assets of Cotswold Swine Genetics to PIC International Group for total consideration of \$3.8 million. Ridley also committed with PIC to maintain certain swine production levels on a sub-contract basis for a period of up to one year. Ridley estimated in July that on-going losses and liquidation costs to complete the divestment would be \$1.8 million on an after-tax basis; that estimate is unchanged.

As noted earlier, the discontinued swine genetics operations reported a loss for the first quarter of \$0.2 million. This includes a small operating loss, a gain on the sale of divested assets, charges for settling commitments with some of Cotswold's contract producers and other liquidation costs.

## **Outlook**

"We are cautiously optimistic about our performance in the year ahead. While sales volumes and profits were down in the first quarter, the declines are being measured against unprecedented sales volumes in the first quarter of fiscal 2003 brought on by the extensive drought conditions in the U.S. and Canada," Mr. Gallaway said.

"The challenges presented by livestock economics, the extended drought conditions in the U.S. and Canada, and the impact of BSE will continue to be negative factors in the near term, but Ridley is responding aggressively. We are examining all aspects of our business in pursuit of continuous improvement, and are determined not to let the broader environment dictate the outcome. Our feed businesses have proven over a period of several years that they are capable of producing solid returns. We are confident that we are well positioned in our industry, and over the medium to long term our businesses will not disappoint," said Mr. Gallaway.

Ridley Inc., headquartered in Mankato, Minnesota and Winnipeg, Manitoba, is one of North America's leading commercial animal nutrition companies. Ridley manufactures and/or distributes a full range of animal nutrition products under a number of highly regarded trade names.

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

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### For more information:

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**Ridley Inc.****Consolidated Balance Sheet (Unaudited)**  
(Cdn \$ in thousands)

|                                                          | 30 September 2003 | 30 June 2003 | 30 September 2002 |
|----------------------------------------------------------|-------------------|--------------|-------------------|
| <b>Assets</b>                                            |                   |              |                   |
| Cash and short-term deposits .....                       | 2,674             | 873          | 1,919             |
| Accounts receivable .....                                | 39,857            | 36,289       | 46,344            |
| Inventories .....                                        | 42,906            | 42,226       | 46,544            |
| Income taxes recoverable .....                           | -                 | 3,354        | -                 |
| Prepays and other current assets .....                   | 1,822             | 1,821        | 4,074             |
| Current portion of loans receivable .....                | 5,850             | 6,073        | 7,661             |
| Current assets of discontinued operations .....          | 6,041             | 6,574        | 12,677            |
| Total current assets .....                               | 99,150            | 97,210       | 119,219           |
| Loans receivable, less current portion .....             | 10,404            | 12,023       | 18,077            |
| Investments .....                                        | 395               | 414          | 1,338             |
| Assets held for sale .....                               | 1,823             | 1,820        | 2,142             |
| Fixed assets .....                                       | 116,547           | 112,912      | 126,441           |
| Other assets .....                                       | 2,583             | 2,423        | 3,281             |
| Goodwill .....                                           | 57,705            | 57,057       | 65,239            |
| Non-current assets of discontinued operations .....      | 1,117             | 1,157        | 9,133             |
| Total non-current assets .....                           | 190,574           | 187,806      | 225,651           |
| Total assets .....                                       | 289,724           | 285,016      | 344,870           |
| <b>Liabilities and Shareholders' Equity</b>              |                   |              |                   |
| Accounts payable and accrued liabilities .....           | 43,668            | 44,118       | 52,891            |
| Income taxes payable .....                               | 574               | -            | 1,660             |
| Current portion of long-term debt .....                  | 15,937            | 15,818       | 17,255            |
| Current liabilities of discontinued operations .....     | 2,835             | 1,638        | 3,254             |
| Total current liabilities .....                          | 63,014            | 61,574       | 75,060            |
| Long-term debt, less current portion .....               | 58,122            | 60,075       | 88,994            |
| Future income taxes .....                                | 28,548            | 26,674       | 32,489            |
| Pension and post-retirement benefits .....               | 4,138             | 4,569        | 5,360             |
| Total long-term liabilities .....                        | 90,808            | 91,318       | 126,843           |
| <b>Shareholders' Equity</b>                              |                   |              |                   |
| Share capital .....                                      | 84,019            | 83,912       | 82,137            |
| Minority interest .....                                  | 397               | 372          | 361               |
| Cumulative foreign currency translation adjustment ..... | (10,594)          | (10,803)     | 7,657             |
| Retained earnings .....                                  | 62,080            | 58,643       | 52,812            |
| Total shareholders' equity .....                         | 135,902           | 132,124      | 142,967           |
| Total liabilities and shareholders' equity .....         | 289,724           | 285,016      | 344,870           |

**Consolidated Statement of Earnings (Unaudited)**  
(Cdn \$ in thousands)

| Consolidated Statement of Earnings (Unaudited)<br>(Cdn \$ in thousands) | Three Months<br>Ended<br>30 September 2003 | Three Months<br>Ended<br>30 September 2002 |
|-------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Revenue.....                                                            | 144,486                                    | 166,277                                    |
| Cost of sales .....                                                     | <u>115,945</u>                             | <u>134,319</u>                             |
| Gross profit .....                                                      | <u>28,541</u>                              | <u>31,958</u>                              |
| Operating expenses                                                      |                                            |                                            |
| Selling, general and administrative .....                               | 18,588                                     | 18,508                                     |
| Depreciation .....                                                      | 2,498                                      | 2,604                                      |
| Research and development .....                                          | 217                                        | 262                                        |
| Amortization .....                                                      | <u>244</u>                                 | <u>262</u>                                 |
| Total operating expenses.....                                           | <u>21,547</u>                              | <u>21,636</u>                              |
| Operating income.....                                                   | 6,994                                      | 10,322                                     |
| Interest expense .....                                                  | 1,441                                      | 1,799                                      |
| Other income, net .....                                                 | <u>(323)</u>                               | <u>(553)</u>                               |
| Earnings before income taxes .....                                      | 5,876                                      | 9,076                                      |
| Provision for income taxes .....                                        | 2,248                                      | 3,408                                      |
| Minority share of net income .....                                      | <u>31</u>                                  | <u>55</u>                                  |
| Net earnings from continuing operations .....                           | 3,597                                      | 5,613                                      |
| Loss attributed to discontinued operations .....                        | <u>(160)</u>                               | <u>(1,094)</u>                             |
| Net earnings .....                                                      | <u>3,437</u>                               | <u>4,519</u>                               |
| Earnings per share from continuing operations - basic.....              | 0.26                                       | 0.42                                       |
| - diluted .....                                                         | <u>0.26</u>                                | <u>0.41</u>                                |
| Net earnings per share - basic .....                                    | 0.25                                       | 0.34                                       |
| - diluted .....                                                         | <u>0.25</u>                                | <u>0.33</u>                                |
| Retained earnings, beginning of period .....                            | 58,643                                     | 48,293                                     |
| Current year earnings .....                                             | <u>3,437</u>                               | <u>4,519</u>                               |
| Retained earnings, end of period .....                                  | <u>62,080</u>                              | <u>52,812</u>                              |

**Ridley Inc.****Consolidated Statement of Cash Flows (Unaudited)**  
(Cdn \$ in thousands)

|                                                                        | Three Months<br>Ended<br>30 September 2003 | Three Months<br>Ended<br>30 September 2002 |
|------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| <b>Operating activities</b>                                            |                                            |                                            |
| Net earnings for the period .....                                      | 3,437                                      |                                            |
| Add (deduct) items not affecting cash:                                 |                                            | <b>4,519</b>                               |
| Depreciation of fixed assets .....                                     | 2,504                                      |                                            |
| Future income taxes .....                                              | 1,923                                      | 2,697                                      |
| Diminution in value of breeding stock .....                            | -                                          | -                                          |
| Gain on sale of fixed assets .....                                     | (14)                                       | 147                                        |
| Gain on liquidated assets .....                                        | (2,382)                                    | (21)                                       |
| Amortization .....                                                     | 252                                        | -                                          |
| Other items not affecting cash .....                                   | (52)                                       | 313                                        |
|                                                                        |                                            | -                                          |
| Cash flow from earnings .....                                          | 5,668                                      | 7,655                                      |
| Net change in non-cash working capital balances related to operations: |                                            |                                            |
| Accounts receivable .....                                              | (5,797)                                    | (590)                                      |
| Inventories .....                                                      | 1,656                                      | 395                                        |
| Prepaid expenses .....                                                 | (67)                                       | (1,995)                                    |
| Accounts payable, accruals and other liabilities .....                 | 96                                         | (7,392)                                    |
| Income taxes payable .....                                             | 3,143                                      | 2,865                                      |
| Net cash from operating activities .....                               | <u>4,699</u>                               | <u>938</u>                                 |
| <b>Investing activities</b>                                            |                                            |                                            |
| Proceeds on disposal of fixed assets and investments .....             | 99                                         | 83                                         |
| Purchase of fixed assets and investments .....                         | (2,324)                                    | (2,324)                                    |
| Proceeds on liquidated assets .....                                    | 3,832                                      | -                                          |
| Decrease in loans receivable .....                                     | 3,211                                      | 1,220                                      |
| Business acquisitions .....                                            | (5,853)                                    | (3,353)                                    |
| Net cash utilized for investing activities .....                       | <u>(1,035)</u>                             | <u>(4,374)</u>                             |
| <b>Financing activities</b>                                            |                                            |                                            |
| Proceeds from (repayment of) long-term debt .....                      | (1,875)                                    | 3,672                                      |
| Issuance of share capital .....                                        | 108                                        | 39                                         |
| Net cash from (utilized for) financing activities .....                | <u>(1,767)</u>                             | <u>3,711</u>                               |
| Effect of exchange rate changes on cash .....                          | (42)                                       | 106                                        |
| Increase in cash and short-term deposits .....                         | 1,855                                      | 381                                        |
| Net cash and short-term deposits – beginning .....                     | 926                                        | 1,950                                      |
| Net cash and short-term deposits – ending .....                        | <u>2,781</u>                               | <u>2,331</u>                               |
| Cash of discontinued operations .....                                  | (107)                                      | (412)                                      |
| Net cash and short-term deposits                                       | <u>2,674</u>                               | <u>1,919</u>                               |

**Ridley Inc.****Segment Information (Unaudited)**  
(Cdn \$ in thousands)

|                                | Three Months<br>Ended<br>30 September 2003 | Three Months<br>Ended<br>30 September 2002 |
|--------------------------------|--------------------------------------------|--------------------------------------------|
| <b>Revenue</b>                 |                                            |                                            |
| Canadian Division .....        | 41,077                                     | 44,866                                     |
| US Division .....              | 103,409                                    | 121,411                                    |
| Total revenue .....            | 144,486                                    | 166,277                                    |
| <b>Cost of sales</b>           |                                            |                                            |
| Canadian Division .....        | 34,131                                     | 37,901                                     |
| US Division .....              | 81,814                                     | 96,418                                     |
| Total cost of sales .....      | 115,945                                    | 134,319                                    |
| <b>Gross profit</b> .....      | 28,541                                     | 31,958                                     |
| <b>Operating expenses</b>      |                                            |                                            |
| Canadian Division .....        | 5,298                                      | 5,081                                      |
| US Division .....              | 15,169                                     | 15,332                                     |
| Unallocated .....              | 1,080                                      | 1,223                                      |
| Total operating expenses ..... | 21,547                                     | 21,636                                     |
| <b>Operating income</b>        |                                            |                                            |
| Canadian Division .....        | 1,648                                      | 1,884                                      |
| US Division .....              | 6,426                                      | 9,661                                      |
| Unallocated .....              | (1,080)                                    | (1,223)                                    |
| Total operating income .....   | 6,994                                      | 10,322                                     |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Significant accounting policies and basis of presentation

The Company's accounting policies are in accordance with accounting principles generally accepted in Canada. These interim consolidated financial statements are unaudited and are based on accounting principles and practices consistent with those used in the preparation of the annual audited financial statements. These interim consolidated financial statements do not include all the disclosures normally included in the Company's annual consolidated financial statements. They should be read in conjunction with the Company's consolidated financial statements for the year ended June 30, 2003, as set out in the 2003 Annual Report.

### Reclassifications

Prior period amounts have been reclassified to conform with current year presentation. The reclassifications had no impact on net earnings or shareholders' equity as previously reported.

### Foreign operations

The accounts of self-sustaining foreign subsidiary companies are translated into Canadian dollars on the following basis:

- assets and liabilities at the exchange rate prevailing at the balance sheet date; and
- revenue and expenses at weighted average exchange rates for the year.

Adjustments arising from this translation are deferred and recorded as a separate item under shareholders' equity and are included in income only when a reduction in the net investment in these foreign operations is realized. Gains or losses on foreign currency balances and transactions that are designated as hedges of a net investment in self-sustaining foreign operations are offset against exchange losses or gains included in the separate item under shareholders' equity.

### Business acquisitions

On August 11, 2003, the Company acquired the assets and business of Heartland Inc., located in Bismarck, North Dakota, for \$5.9 million. Heartland Inc. manufactures a complete line of animal feeds. Heartland and Hubbard Feeds (Ridley) were previously involved in a joint venture.

### Discontinued operations

The summarized operating results of the discontinued operations, net of income taxes, for the quarters ending September 30, 2003 and 2002 are as follows (in \$000):

|                                   | 2003    | 2002    |
|-----------------------------------|---------|---------|
| Operating loss                    | (105)   | (1,094) |
| Gain on liquidated assets         | 1,459   | -       |
| Liquidation and exit costs        | (1,514) | -       |
| Loss from discontinued operations | (160)   | (1,094) |