

# **Carr's Milling Industries PLC**

**26 WEEKS TO 27 FEBRUARY 2010**

**Carr's performed well in competitive markets**



**CARR'S  
MILLING INDUSTRIES PLC**



# Overview

- A good set of results against a difficult backdrop, especially in Food
- PBT £5.3m, unchanged but ahead of Board expectations
- Diluted EPS 38.4p (2009:37.2p), up 3%
- DPS 6.0p, unchanged but introducing 3 dividends a year
- A strong performance from Agriculture, with fertiliser showing a strong rebound
- Food profit reduced, following increased competition
- Remains on track for an improved full year result

Ahead of Board expectations



# Divisional Picture

## Agriculture

**Revenue £120.5m (2009:£130.2m) Profit before tax £4.3m (2009:£4.0m)**

### **Agriculture supplies**

- Both retail and machinery traded well

### **Animal Feed**

- Feed block volumes and profit increased
- Compound feed volumes declined due to good autumn grazing and substitute feeds

### **Fertiliser**

- Slow start but increased raw material costs have stimulated market
- Full year result expected to improve significantly

### **Fuel**

- Strong performance assisted by severe winter

## Food

**Revenue £33.8m (2009:£40.5m) Profit before tax £0.9m (2009:£1.5m)**

- Margins under pressure in competitive market

## Engineering

**Revenue £6.8m (2009:£3.8m) Profit before tax £0.4m (2009:£0.3m)**

- Low margin contracts impacted first half results
- Wälischmiller integrated and good contribution to group profit

Good first half and further progress in second half



## FINANCIAL HIGHLIGHTS

Ron Wood  
Finance Director



# Financial Highlights

- Lower revenue (price deflation) but modest profit increase
- Food performance held back profit increase
- EPS up 3% at 38.4p
- Net debt reduction and cash flow in line with budget



# Income Statement

Half year ended 27 February	2010		2009	
	Revenue £m	PBT £m	Revenue £m	PBT £m
<b>Agriculture: Trading</b>	<b>97.8</b>	<b>3.2</b>	103.8	3.7
<b>Manufacturing</b>	<b>22.7</b>	<b>1.1</b>	26.4	0.5
<b>Food</b>	<b>33.9</b>	<b>0.9</b>	40.5	1.4
<b>Engineering</b>	<b>6.9</b>	<b>0.4</b>	3.8	0.3
<b>Other</b>	-	<b>(0.3)</b>	-	(0.5)
	<b>161.3</b>	<b>5.3</b>	174.5	5.4
Retirement benefits		(0.6)		(0.9)
Associate & JVs (PAT)		0.6		0.8
<b>PBT</b>		<b>5.3</b>		<b>5.3</b>
<b>EPS (p)</b>		<b>38.4</b>		37.4
<b>Adjusted EPS (p)*</b>		<b>38.4</b>		37.5
<b>DPS (p)</b>		<b>6.0</b>		6.0

\*excludes non-recurring items and amortisation of intangible assets



# Cash Flow

Half year ended 27 February	2010	2009
	£m	£m
<b>Operating profit</b>	<b>5.2</b>	<b>5.4</b>
Depreciation/amortisation	1.9	1.8
Working capital outflow	(3.1)	(15.0)
Interest paid	(0.6)	(0.7)
Tax paid	(0.6)	(1.7)
Other non-cash items	0.7	1.7
<b>Generated by/(used in) operating activities</b>	<b>3.5</b>	<b>(8.5)</b>
Used in investing activities	(1.6)	(1.6)
From financing activities	0.2	4.0
<b>Net cash increase/(decrease)</b>	<b>2.1</b>	<b>(6.1)</b>
Opening cash	9.1	0.1
<b>Closing cash</b>	<b>11.2</b>	<b>(6.0)</b>
Closing debt balances	(30.7)	(21.3)
<b>Closing net debt</b>	<b>(19.5)</b>	<b>(27.3)</b>



# Summarised Balance Sheet

	27 February 2010 £m	28 February 2009 £m
<b>Non-current assets</b>	<b>44.6</b>	41.9
<b>Current assets</b>	<b>96.6</b>	91.4
<b>Current liabilities</b>	<b>(64.7)</b>	(75.4)
<b>Non-current liabilities</b>	<b>(39.8)</b>	(22.8)
<b>Net assets</b>	<b>36.7</b>	35.1
<b>Minority interests – equity</b>	<b>(4.0)</b>	(3.2)
<b>Equity shareholders' funds</b>	<b>32.7</b>	31.9
Net debt	19.5	27.3
Interest cover	10.0x	6.1x
Gearing	59.6%	85.5%
Pension deficit (net)	£9.2m	£9.6m





## MACRO BACKDROP

Chris Holmes  
CEO



# Key Macro Drivers for Carr's

## Activity

## Key Cost Inputs

## Key Demand Driver

### Agriculture

Animal feed

Feed wheat, proteins, molasses

Milk price/livestock price

Fertiliser

Nitrogen, phosphate, - rising  
Potash - static

Milk price and wheat price  
- short term volatility in  
demand

Agricultural supplies

N/A

Overall farming profitability -  
stable

### Food

Flour

Milling wheat

Quality bread sales  
Biscuit sales

### Engineering

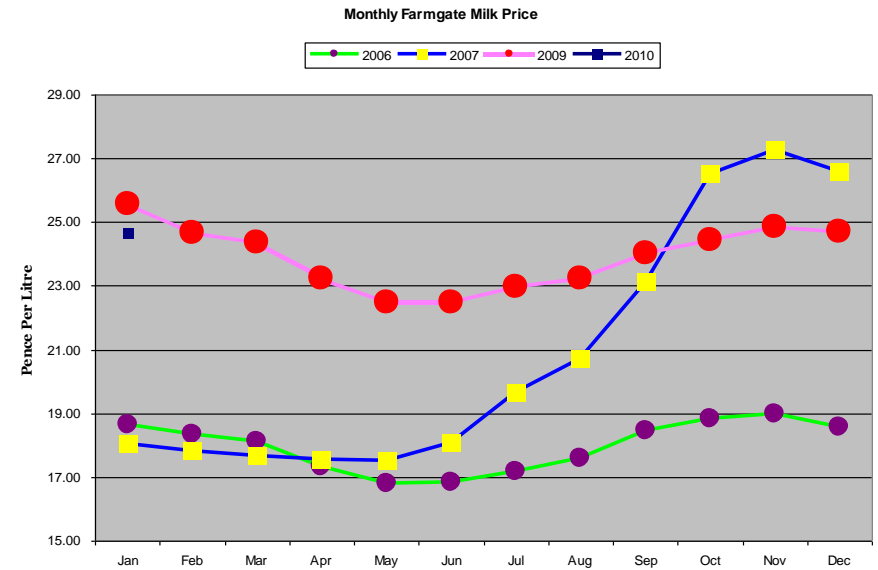
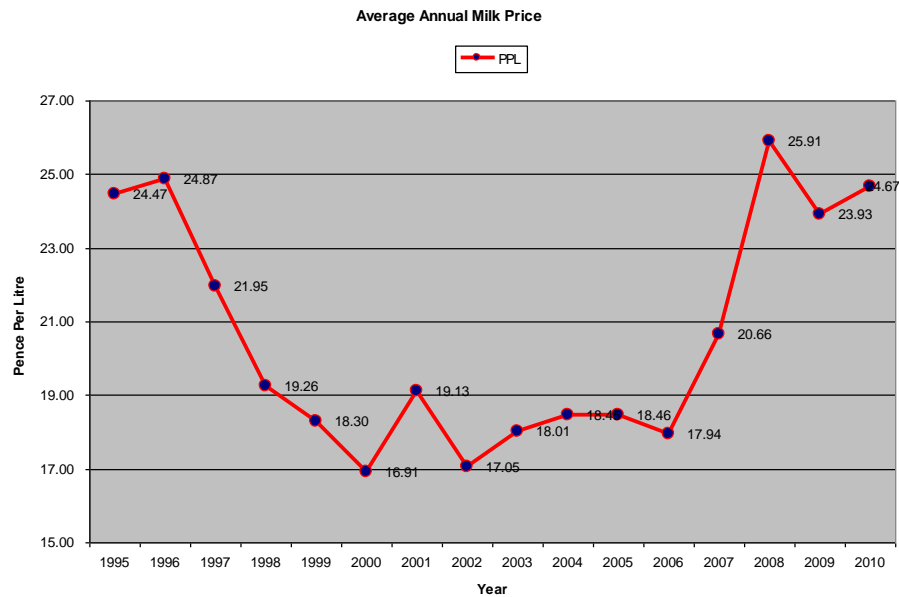
Nuclear and petrochemical

Steel

Expenditure by global nuclear  
industry/oil price



# Agriculture – Farm Gate Milk Price



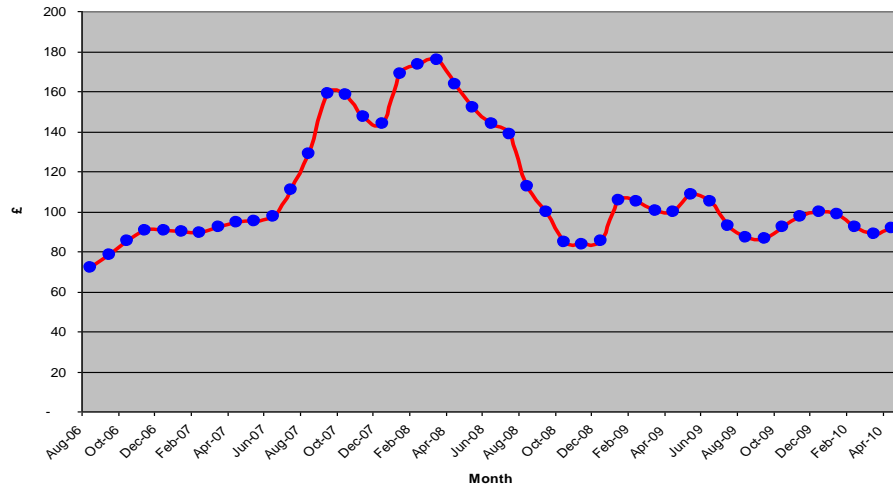
- The milk price is at an unsustainable level for the capital employed



# Agriculture – Wheat Prices

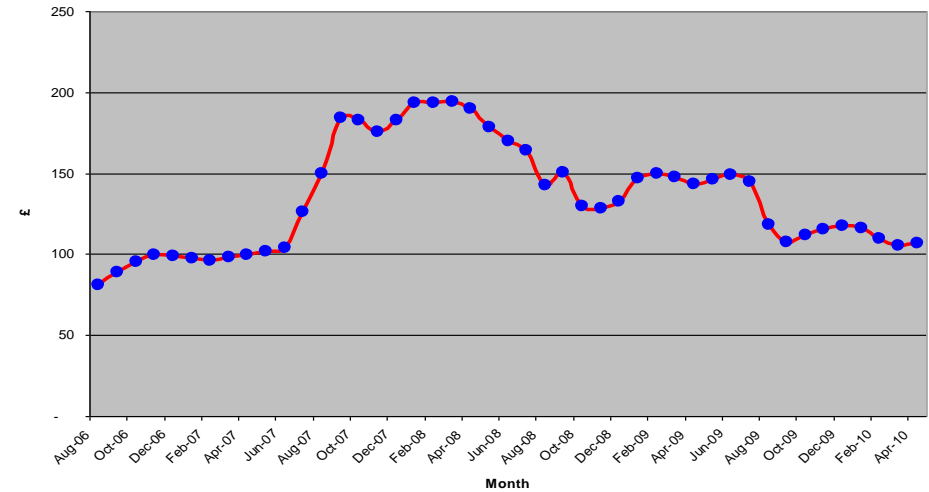
Feed Wheat Prices August 2006 - April 2010

Feed Wheat Price £/T



Milling Wheat Prices August 2006 - April 2010

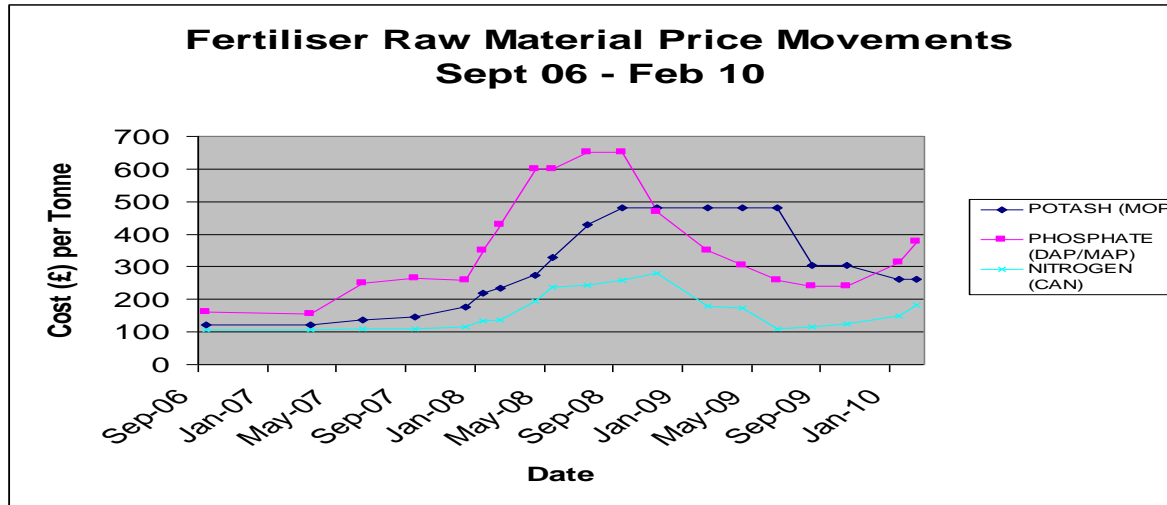
Milling Wheat Price £/T



- Outlook stable – subject to currency after election in May



# Agriculture – Fertiliser



- Total reversal of last year's 1H position
  - Carr's higher inventory made "one off" inventory losses in 2009 – not repeated
- Sales
  - Volumes increased over period – farmers holding back on orders in 2009 due to price falls – not repeated
  - Price rise in the period – market reacts after weak autumn sales
- Buying – price inflation in fertiliser raw materials
- Approximately one month's stock held at period end

**Outlook more positive than last year**



# Food

- Additional UK milling capacity increases competitive pressures
- Economic climate
- Lower wheatfeed prices
- Waste conscious consumers affect volumes
- Manufacturing costs reduced through efficiencies



# Engineering

- Continuing delays in some new contracts hamper progress
- Wälischmiller acquisition in 2009 significantly broadens product range and geographical reach
- Progress for the year hampered in UK by low margin contracts in first half



# Outlook

## **Agriculture**

- Good underlying growth in feed blocks
- Continuing difficult market in compound feed
- Good H2 performance from fertiliser
- Retail supplies, machinery and oil remain stable

## **Food**

- Continuing over-capacity and competition

## **Engineering**

- Stronger H2 expected, good long term prospects

## **Acquisitions**

- Opportunities – mainly in Agriculture

## **Overall**

- H2 profit expected to be appreciably higher than 2009 H2

Long term optimism founded on prospects outside the UK