



***CARR'S  
MILLING INDUSTRIES PLC***

**“the trends are positive”**

**Preliminary Results Presentation**

**8 November 2010**



# Carr's Milling Industries PLC

- Established, profitable agriculture, food and engineering group
- Operations primarily in UK, but also in USA and Germany
- Strategy of organic and acquisitive growth
- Progressive dividend policy
- Highly experienced management team



# Divisional Structure

## Agriculture

### **Animal Feed**

- UK dairy, beef and sheep compound and blended animal feeds
- UK speciality feed ("AminoMax")
- UK / USA / Germany feed blocks ("Crystalux", "Smartlic")

### **Fertiliser**

- UK standard fertiliser
- UK speciality fertiliser (AVAIL)

### **Agriculture retailing**

- UK farm supplies / farm machinery / oil distribution

## Food

### **Flour Mills – 230,000 tonnes**

- Top 3 independent UK flour miller

## Engineering

### **Nuclear and petrochemicals**

- Small, profitable UK and German business, with increasing strategic value



# Key Macro Drivers for Carr's

## Activity

## Key Cost Inputs

## Key Demand Driver

### Agriculture

Animal Feed

Feed wheat, proteins,  
molasses (etc)

Milk price

Fertiliser

Nitrogen, phosphate, potash

Milk price and wheat price

Agricultural supplies

N/A

Overall farming profitability

### Food

Flour

Milling wheat

Volatility in wheat prices

### Engineering

Nuclear and petrochemical

Steel

Nuclear plant build/  
decommissioning (global)  
Oil price



# Strategy

- **Build on business and management strengths**
  - Development of niche products
  - Selective geographic expansion
  - Opportunities from growth in nuclear expansion
- **Organic and acquisitive growth**
  - £9m invested in business in 2009/10
- **Three dividend payments a year**



# Results Overview

- Pre-tax profit **increased** 27.4% to £9.0m (2009: £7.0m)
- Fully diluted EPS **increased** 27.4% to 64.1p (2009: 50.3p)
- Full year DPS **increased** 4.3% to 24.0p (2009: 23.0p)
- Net debt **reduced** 19.7% to £15.5m (2009: £19.3m)
- Gearing **reduced** 44.7% (2009: 64.7%) despite £6.0m spend on acquisitions

A positive year



# Agriculture – Retailing and Fuel Distribution

- Sales growth of 2% in retail stores, despite price deflation
- Network of stores now 19 following bolt-on acquisitions of A C Burn and Forsyths of Wooler
- Farm machinery activities boosted by new Kuhn franchise
- Fuel distribution benefited from severe winter and from:
  - New depots
  - Enhanced geographic coverage
  - Synergies with retailing of rural supplies



# Agriculture - Feed

- Severe winter weather positive for feed volumes, Carrs able to provide excellent service to customers
- Milk price remains depressed – and surely must recover (farmgate price down 2p/litre from 2008)
- Focus on value added products: AminoMax, bypass protein, Scotmin range of feed supplements
- Overseas: Demand recovery in the US, new export markets for Crystalyx in France and New Zealand





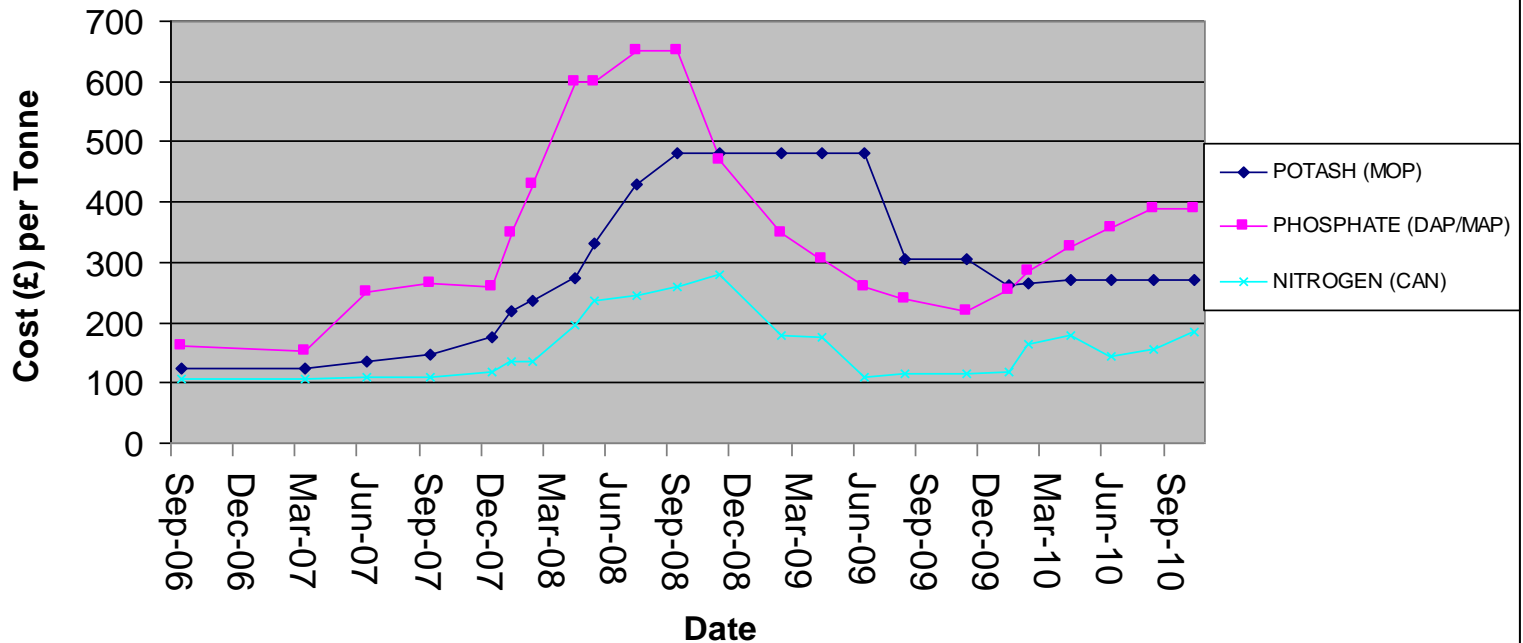
# Agriculture - Fertiliser

- Sharp recovery in profitability
- Volatility of past few years giving way to a more stable market
- Investment in new value added products like AVAIL as well as environmentally-oriented brands
- Margins satisfactory despite input price pressure from phosphates and nitrogen



# Agriculture – Fertiliser

## Fertiliser Raw Material Price Movements Sept 06 - Oct 10

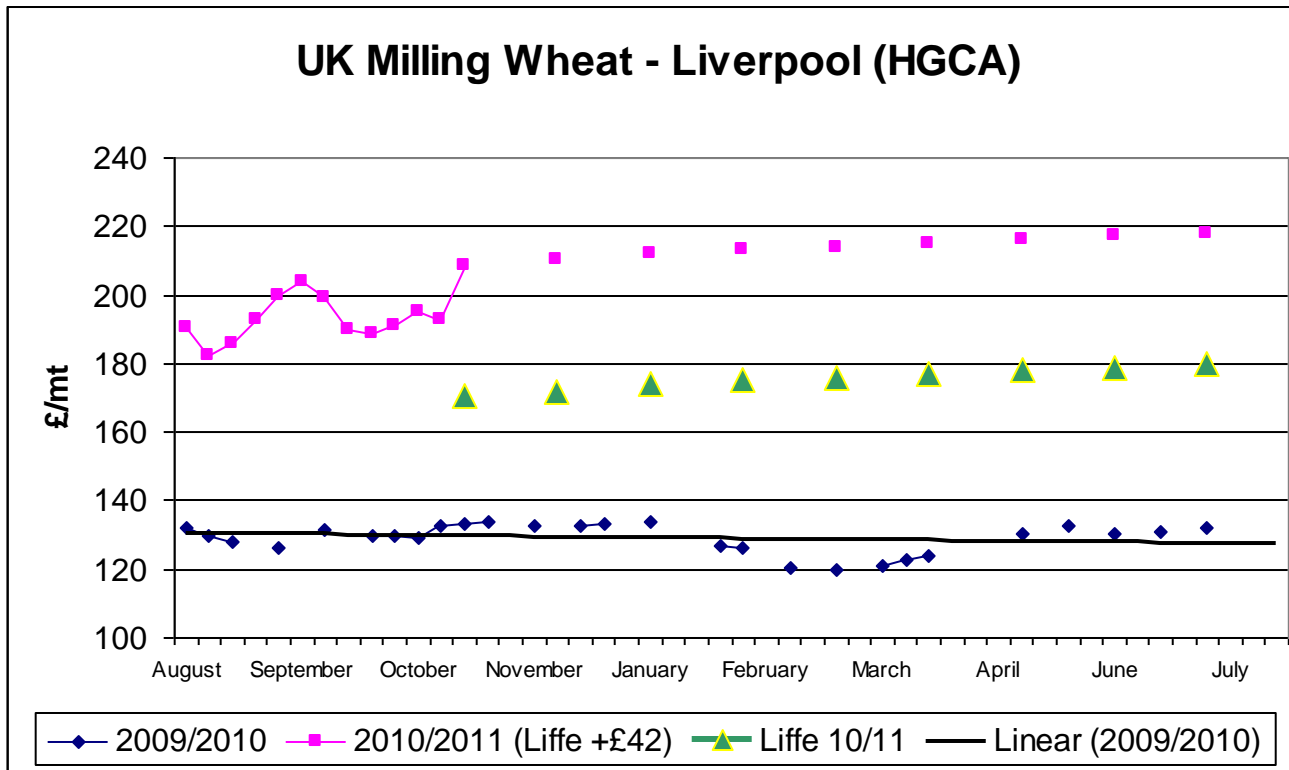


Upward price movement again – Phosphate and Nitrogen



# Food

- Significant industry over-capacity in flour milling
- Customers suffer severe pricing pressure
- Environment may not be worsening but no improvement in demand/pricing visible
- New range of speciality flours to leading UK food retailer



Price soars in July/August 2010



- Small drop in profit due to shortfall at Carrs MSM caused by major customer cutbacks in stock
- Bendalls improved in second half and order book is expanding
- Bendalls secures contracts in Australia and the USA
- Wälischmiller – performing well – strong flow of orders/contracts from Germany, Japan and China



# Income Statement

Year ended August	2010		2009	
	Revenue £m	PBT £m	Revenue £m	PBT £m
<b>Agriculture Trading</b>	<b>203.0</b>	<b>5.2</b>	<b>197.4</b>	<b>5.2</b>
<b>Agriculture Manufacturing</b>	<b>59.0</b>	<b>2.5</b>	<b>57.6</b>	<b>(0.1)</b>
<b>Food</b>	<b>67.1</b>	<b>1.5</b>	<b>79.0</b>	<b>2.1</b>
<b>Engineering</b>	<b>15.8</b>	<b>1.0</b>	<b>15.9</b>	<b>1.1</b>
<b>Other (Head Office, etc)</b>	<b>0.1</b>	<b>(0.8)</b>	<b>0.1</b>	<b>(0.7)</b>
	<b>345.0</b>	<b>9.4</b>	<b>350.0</b>	<b>7.6</b>
Retirement Benefits		(1.2)		(1.6)
Associate & JV's (post tax)		0.8		1.0
<b>Profit before Tax</b>		<b>9.0</b>		<b>7.0</b>
<b>EPS (p)</b>		<b>64.1p</b>		<b>50.4p</b>
<b>DPS (p)</b>		<b>24.0p</b>		<b>23.0p</b>



# Cash Flow Statement

Year ended August	2010	2009
	£m	£m
Operating profit	10.0	8.4
Depreciation/amortisation	3.9	3.5
Working capital inflow/(outflow)	6.5	(0.2)
Interest paid	(1.0)	(1.3)
Tax paid	(1.7)	(3.0)
Other – Pension contribution	(2.8)	(2.5)
Other – non-cash items	0.4	0.7
<b>Generated by operating activities</b>	<b>15.3</b>	5.6
Used in investing activities	(9.0)	(6.6)
(Used in)/from financing activities	(2.1)	10.0
Net cash increase	4.2	9.0
Opening cash	9.1	0.1
<b>Net increase in cash</b>	<b>13.3</b>	9.1
Closing net debt	<b>(15.5)</b>	(19.3)



# Summarised Balance Sheet

Year ended August	2010 £m	2009 £m
Non-current assets	47.9	44.6
Current assets	89.8	77.4
Current liabilities	(62.2)	(46.9)
Non-current liabilities	(36.2)	(41.8)
<b>Net assets</b>	<b>39.3</b>	<b>33.3</b>
Minority interests – equity	(4.6)	(3.4)
<b>Equity shareholders' funds</b>	<b>34.7</b>	<b>29.9</b>
<b>Net debt</b>	<b>15.5</b>	<b>19.3</b>
Interest cover	9.3x	5.6x
Gearing	44.7%	64.7%
Pension deficit (net)	7.8	10.7
Net debt: EBITDA	1.2x	1.8x





# Progressive dividend

- Three dividend payments a year
- Two dividend payments of 6p per share paid in May and October 2010
- Final dividend of 12p per share, subject to shareholder approval
- Final dividend will be paid on 21 Jan 2011 to Shareholders on the register at close of business on 24 Dec 2010.
- **Total dividend for the year of 24p per share, an increase of 4.3%**



# Investment in business

## **Scotmin Nutrition Ltd & A C Burn Ltd**

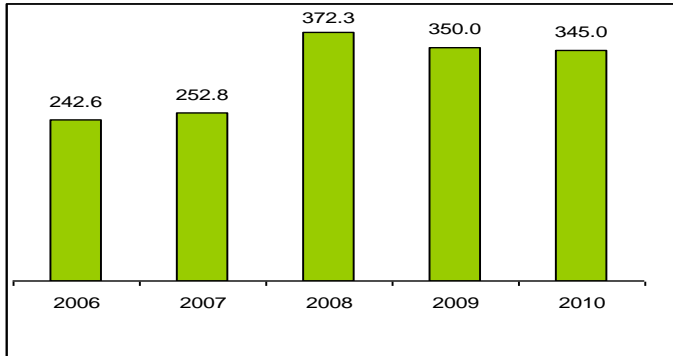
- Acquired from Buccleuch Country Ltd for joint consideration of £5.62m in June 2010
- Synergies with Caltech distribution
- Enhance earnings for full year 2011

## **Forsyths of Wooler**

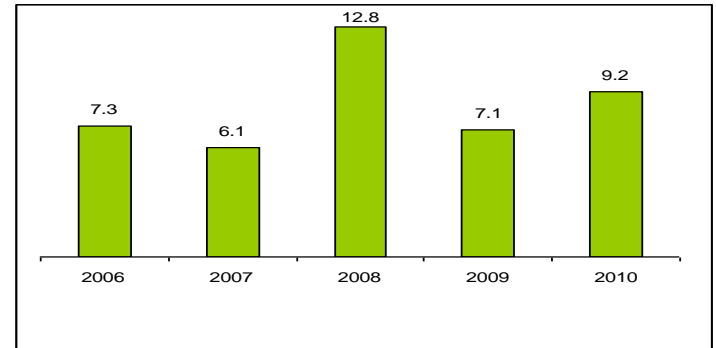
- Acquired in September (post year-end) for £0.72m
- Expand agriculture branch network
- Enhance earnings for full year 2011
- Integrated with existing branch management



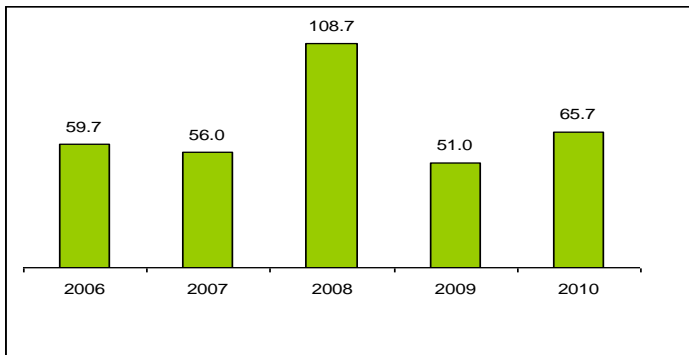
# Carr's Five Year Record



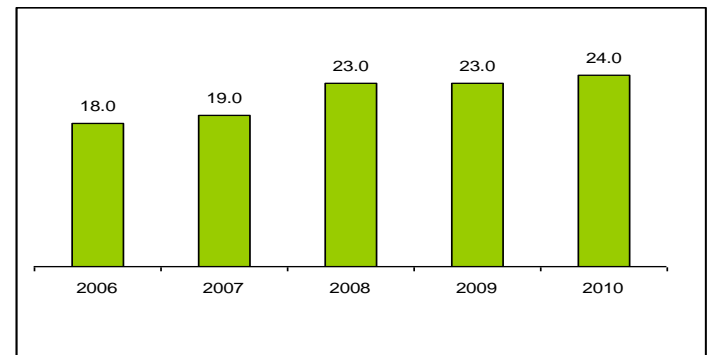
**Revenue £m**



**Profit before tax\* £m**



**Adjusted earnings per share\* (p)**



**Dividends per share (p)**

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



# Keys to Growth

## **New Markets**

- Crystalyx launched in New Zealand
- Export Crystalyx to France
- Japan and China – remote handling equipment

## **Acquisitions**

- Scotmin Nutrition
- A C Burn
- Forsyths of Wooler
- All complement existing businesses

## **Value Added Products**

- AVAIL
- AminoMax
- Robotic manipulators



# Future

## **Agriculture**

- Expansion of block markets in USA, New Zealand and Europe
- AminoMax in USA
- Bolt on acquisitions
- Further innovation – added value products
- Expand fuel distribution

## **Food**

- Speciality products
- Operating costs

## **Engineering**

- Stocking levels reduce at Sellafield, Carrs MSM sales to recover
- Maintain high engineering design capability