



Nufarm Limited
Half Year Report 2009



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key events

- Record half year operating profit
- North America and Europe show strong growth
- Global credit crisis affects business in Brazil
- Changes to product mix drive margin expansion

facts in brief

12 months ended 31 July 2008	Trading results \$000	Consolidated		Percentage change %
		6 months ended 31 Jan 2009	6 months ended 31 Jan 2008	
2,492,458	Revenue from ordinary activities	1,235,377	989,845	25
	Profit from ordinary activities after tax attributable to members			
163,876	- before material items	65,129	35,364	84
137,915	- after material items	65,655	4,553	1,342
	Net profit attributable to members			
163,876	- before material items	65,129	35,364	84
137,915	- after material items	65,655	4,553	1,342

Distribution to shareholders	Amount per security ¢	Franked amount per security ¢
Dividend paid per ordinary share on 17 November 2008	23	23
Dividend paid per ordinary share on 9 November 2007	21	21
Dividend 12 cents per ordinary share, with record date for entitlement 17 April 2009		
Interim dividend for 2008 was 12 cents per share fully franked		

Nufarm Step-up Securities distribution	Distribution rate %	Total amount \$	Payment date
Nufarm Step-up Securities distribution	9.97	12,547	15 Oct 08
Nufarm Step-up Securities distribution	8.95	11,263	15 Apr 08

31 July 2008	Other summary data	31 Jan 2009	31 Jan 2008
69%	Gearing ratio (debt/equity)	106%	95%
41%	Equity ratio	36%	36%
\$2.60	Net tangible assets per ordinary share	\$2.79	\$2.18
3,112	Staff employed	3,226	2,692

report to shareholders

2009 first half

Nufarm Limited generated a net operating profit after tax of \$65.2 million for the six months ending 31 January 2009. This compares with a net operating profit of \$35.4 million in the first half of the previous year. This trading result is pleasing in the current economic environment and the company reaffirms its full year earnings guidance.

After accounting for non-operating items (2009 first half: net gain of \$0.5 million; 2008 first half: net loss of \$30.8 million), the headline after tax profit was \$65.7 million (2008 first half: \$4.6 million).

Operating earnings before interest and tax (EBIT) were \$120.2 million, a 46 per cent increase on the \$82.3 million recorded in the first six months of the previous year.

Group sales were up by 25 per cent to \$1.24 billion, with 28 per cent of first half revenues generated in Australasia (2008 first half: 37 per cent); 20 per cent in Europe (2008 first half: 19 per cent); 29 per cent in North America (2008 first half: 19 per cent); and 23 per cent in South America (2008 first half: 25 per cent).

Earnings per share were 30.5 cents, compared to a loss of 1.6 cents per share for the six months to 31 January 2008. Excluding the impact of non-operating items, earnings per share were 30.2 cents, compared to 16.4 cents for the previous six months.

An interim dividend of 12 cents (unchanged) will be paid on 8 May 2009 to all holders of ordinary shares in the company as of 17 April 2009. The interim dividend will not be franked. The board has resolved that any available franking credits will be attached to the final dividend.

The existing dividend reinvestment plan (not underwritten) will be made

available to shareholders for the 2009 interim dividend. Directors have determined that a 2.5 per cent discount will apply to the dividend issue price, which will be calculated based on the volume weighted average price of the company's ordinary shares on the ASX over a period of 10 consecutive trading days commencing after the record date and concluding prior to the date of allotment of ordinary shares under the plan.

Due to the company's high working capital requirements at 31 January, the gearing level (net debt to shareholders' funds) was 106 per cent (95 per cent at 31 January 2008). This is expected to be in a range of 50 to 55 per cent by the end of the company's financial year on 31 July as high inventory levels are reduced during the April to July peak sales period.

Review of operations

While exposure to foreign currency exchange rate movements does not have a material impact on Nufarm's forecast full year results, the volatility of those movements during the period in review has had an impact on both balance sheet comparisons and individual segment results. With respect to segment results, foreign translation gains of \$26 million are recorded in Australasia, offset by losses of \$25 million in Europe and \$3 million in North America. In the South American segment, exchange rate losses totalled \$46 million, with the largest currency impact occurring in Brazil (loss of \$42 million).

The Brazilian amount has two significant components. Loans associated with the acquisition of the business in 2007 are denominated in US dollars, and while not due for renewal until 2010, have recorded an unrealised loss of \$16.3 million. Trading related losses of \$26.2 million relate primarily to net US dollar exposures to purchases of raw materials, of which intercompany activities are a significant component. Hence while there are losses recorded in Brazil, there are increased profits translated into the group result from other Nufarm entities, albeit on the sales and gross profit lines.

Given current exchange rates generally prevail during the second six months of the financial year, these factors will not have a material impact on the forecast group results at 31 July.

The first half of the financial year was characterised by strong trading performances from businesses within Europe and North America and a poor earnings outcome in South America, where measures were taken to contain risks associated with the impact of the global financial crisis in that region.

The result benefited from increased sales of higher margin products, particularly in Australia, North America and Europe. Sales of glyphosate were lower than expected, reflecting a carry-over of grower stocks from the previous season and delayed purchasing

by key distribution customers in many of the company's major markets.

Australasia

Australian sales (\$241 million) were down 17 per cent on the previous corresponding period, principally due to lower glyphosate sales. Summer cropping conditions in Australia were generally favourable with positive climatic conditions in northern New South Wales and Queensland and reasonable rains in Western Australia. The south east region of Australia remained very dry.

Strong sales of phenoxy herbicides, cereal fungicides and an improved performance in the horticulture segment all contributed to an improved margin outcome. Expenses were also lower with a reduction in transportation and warehousing costs.

The New Zealand business generated first half sales and EBIT in line with the previous period. Asian sales were up with higher sales of glyphosate mixture products in Japan and the addition of the Roundup® business in Indonesia.

On a segment reporting basis, Australasian sales were \$342 million (2008 first half: \$365 million), with a substantial increase in segment profit at \$81.4 million compared to \$49.2 million in the previous period. Excluding the foreign exchange gains of \$26 million the segment recorded a slight improvement in EBIT contribution on lower regional sales.

North America

North American regional sales were up by 88 per cent with excellent sales growth achieved in both the US and Canada.

A stronger US dollar had a positive impact when both revenues and earnings were translated into Australian dollars.

The US business generated sales growth of more than 50 per cent in local currency. This was driven by higher sales of products such as Nuprid® (imidacloprid) and sales associated with the Etigra acquisition in March of last year. A growing strength in fungicides and insecticides enabled the business to offer broader portfolio positions in a number of crop segments, including cotton and cereals, and in the relatively high margin turf and specialty markets.

New product introductions were key drivers of revenue growth and margin expansion.

Nufarm also continues to improve its distribution access in the US market, driving volume growth across most of the company's expanding product range.

Glyphosate sales, however, were lower than budgeted in the first six months due to deferred buying patterns as growers – and, hence, distribution customers – pushed back decisions on which crops to plant and delayed purchases of inputs to support that planting activity. This contrasted with relatively early and high glyphosate sales in the first half of the previous year.

Nufarm's Canadian business also benefited from a broader product portfolio, in particular in the important cereals segment. Sales and profit in Canada were up strongly on the previous year's first half.

Segment profit in North America was \$52.3 million, with higher volumes resulting in a substantial

improvement in overhead recoveries in regional manufacturing plants.

South America

Segment sales in South America increased by 12 per cent in Australian dollars to \$282 million, but were slightly lower when measured in local currencies.

The global credit crisis has had a major impact on the agriculture sector in both Brazil and Argentina, with growers and distributors in many instances unable to secure credit to purchase farm inputs and a much higher potential risk associated with payments.

Brazil generated sales of \$225 million compared with \$215 million in the first half of the previous year. In local currency, however, sales were slightly down at \$329 million reais (R\$), compared with R\$344. Prices and margins were also down, due to increased competition in a lower overall market. Excluding foreign exchange losses, Brazil generated an operating EBIT of \$25 million, down from \$47 million in the previous corresponding period.

While the Brazilian business had been budgeted to achieve strong growth in this period, increased risks associated with credit issues resulted in product being redirected to other Nufarm regional markets. There were reduced sales in major segments such as soybean and corn – where overall plantings were down on the previous year – and discounted prices were aimed at securing lower risk and, in some cases, cash sales.

Several new product launches and a successful entry into the pasture segment helped compensate for lower sales of glyphosate.

report to shareholders continued

2009 first half

Argentina suffered severe drought conditions in important cropping regions of the country resulting in reduced plantings and lower demand for crop protection products. Coupled with the impact of credit issues, the profit contribution from Nufarm's business was down considerably.

Europe

European sales increased by 39 per cent (2009 first half: \$255 million versus 2008 first half: \$184 million). Segment profit was also up strongly at \$28.2 million.

Distribution relationships have been considerably strengthened in key markets within Europe, assisted by new product introductions and broader portfolio offerings in a number of important crop segments.

Widespread rains – particularly in Southern Europe – boosted sales of herbicides, with strong demand for glyphosate and a range of other herbicides.

The businesses in France, Spain and Italy all saw positive growth with Nufarm achieving additional penetration in distribution in those markets.

The region generated higher sales of insecticide and fungicide products, including a number of novel mixture products that generated excellent margins. Nufarm's Nuprid® offerings were successfully launched in a number of regional markets.

In the UK, a Nuprid®-based seed treatment product gained meaningful market share in the valuable sugar beet segment. This helped the UK branded

business achieve higher revenues and profitability in the first half.

The UK-based AH Marks business, acquired by Nufarm in March of last year, performed very strongly aided by a continuing strong global demand for phenoxy herbicides. MCPA sales were up by some 17 per cent on the previous corresponding period and 2,4-D production and sales also saw a substantial improvement. The full integration of this business has been delayed, pending the outcome of regulatory reviews relating to competition issues associated with the acquisition (see additional comments under 'Subsequent Events'). Most of the AH Marks business involves the export of technical product into markets outside the UK.

In Northern Europe, sales and margins improved in Germany, with product introductions in the oilseed rape fungicide market and the potato fungicide market. There was also continued strong development in central and eastern European markets, especially Romania, Poland and Hungary, where Nufarm recently established a direct operating presence.

Working capital and gearing

Net working capital as at 31 January 2008 was \$870 million. Adjusting for current exchange rates and the AH Marks and Etigra acquisitions this number rises to \$1 billion. At 31 January 2009, total working capital was \$1,560 million. Inventories have grown from \$671 million to \$1,317 million at 31 January 2009, reflecting both the AH Marks and Etigra acquisitions and the additional glyphosate stock of \$354 million purchased

before the end of July 2008 and further inventory purchased to meet the increased sales levels expected in the second half of this financial year.

As at the end of July 2009 total inventory is forecast to reduce to approximately \$750 million.

Net debt at January 2008 was \$948 million, which, at current exchange rates, is equivalent to \$1.031million. The increase of approximately \$500 million to current levels is attributable to increased working capital. As this working capital reduces, net debt is forecast to reduce to approximately \$850 million at July 2009 giving a gearing ratio in the 50 to 55 per cent range advised with previous company guidance.

Non-operating items

The net impact of non-operating items at 31 January was a gain of \$0.5 million. This compares with a net loss of \$30.8 million at 31 January 2008.

The net gain is made up of an unrealised foreign exchange gain relating to the company's Step-up Securities (NSS) of \$9.4 million. The foreign exchange exposure on the funding utilisation from the NSS has been hedged over the term of the securities and will guarantee a cash gain of \$19.6 million on maturity in the 2012 financial year.

Costs associated with the regulatory clearance of the AH Marks acquisition of \$6.7 million and \$2.2 million expensed in relation to a feasibility study conducted into a potential major acquisition, which did not proceed, have offset the above gain.

Subsequent events

Nufarm is considering divesting its 25 per cent participation in the manufacturing joint venture Bayer CropScience Nufarm Limited that produces HBN herbicides in Europe. The joint venture owns manufacturing plants in France (operated by Nufarm) and in the UK (operated by Bayer CropScience). Production would be consolidated at the UK site at Norwich, with Nufarm entering into a long-term supply arrangement with Bayer CropScience.

Under the proposal, Nufarm's Gaillon site in France would stop production of HBN herbicides together with certain industrial products. A consultation process with employees regarding restructure of the workforce is about to commence. The proposed changes would enable the company to rationalise European manufacturing operations to achieve efficiency and productivity gains.

The UK Competition Commission published its final report on a review of the competition impacts relating to Nufarm's acquisition of the UK-based phenoxy herbicides business, AH Marks Ltd, in February. The Commission approved the acquisition subject to Nufarm agreeing to implement certain measures. Nufarm is now working with the Commission to ensure the swift and effective implementation of all relevant measures. The majority of AH Marks' revenues are generated from export sales into markets outside of the UK. The AH Marks acquisition continues to be reviewed by regulators in several other jurisdictions.

Outlook

The balance of Nufarm's financial year is expected to see strong demand for the company's products as Australian, North American and European farmers approach key planting periods in those regions. With several farm input costs (in particular, fertiliser and fuel) below levels of last year, and many soft commodity prices still well above their five year averages, growers have a strong economic incentive to utilise crop protection products to maximise yields.

While the south east region of Australia will be looking for additional autumn rains to support planting activity, key regions including Western Australia, Queensland and much of New South Wales are well placed in terms of soil moisture profiles. Demand for the company's extensive range of products is expected to be strong.

Improved distribution penetration, a broader product offering and selling opportunities in new crop segments are forecast to generate excellent second half performances from the North American and European businesses.

With credit-related issues continuing to affect business in Brazil, the company will continue to manage its Brazilian operations so as to minimise risk exposure. The full year contribution from Brazil is expected to be below that recorded at the half year due to lower second half sales, reduced margins and the costs associated with maintaining existing operations and new product development activity.

Both of Nufarm's most recent business acquisitions – the Etiga business in the US and the UK-based AH Marks business – remain on track to generate targeted synergies and net profit contributions for the full year.

Compared to the previous year, a larger proportion of Nufarm's glyphosate products will be sold in the second half. This will result in some contraction of second half margins as the product mix is dominated by generally lower margin herbicide sales.

Deferred purchasing of some products, including glyphosate, will present a substantial logistics challenge in markets such as Australia and the US as large volumes will need to be moved from supply through distribution and onto farms in a relatively short period. The company is well placed to meet those challenges.

Assuming average seasonal/climatic conditions, Nufarm remains on track to generate an operating net profit after tax of approximately \$220 million at 31 July, which is within the range of previous guidance.



Doug Rathbone AM
Managing director
and chief executive

Melbourne
31 March 2009

directors' report

The board of directors of Nufarm Limited has pleasure in submitting its report in respect of the six month period ended 31 January 2009.

Directors

The names of the directors in office during the period were:

KM Hoggard (Chairman)
GDW Curlewis (Deputy chairman)
DJ Rathbone AM
Dr WB Goodfellow
GA Hounsell
DG McGauchie AO
Dr JW Stocker AO

All directors held their position as a director throughout the entire period and up to the date of this report.

Principal activities

Nufarm Limited manufactures and supplies a range of agricultural chemicals used by farmers to protect crops from damage caused by weeds, pests and disease.

The company has production and marketing operations throughout the world and sells products in more than 100 countries.

Nufarm's crop protection products enjoy a reputation for high quality and reliability and are supported by strong brands, a commitment to innovation and a focus on close customer relationships.

Nufarm employs 3,226 people at its various locations in Australasia, the Americas and Europe.

The company is listed on the Australian Securities Exchange (symbol NUF). Its head office is located at Laverton in Melbourne.

Results

The net profit attributable to members of the consolidated entity for the six months to 31 January 2009 is \$65.7 million, after including the material items described in note 9. The comparable figure for the six months to 31 January 2008 was \$4.6 million.

Review of operations

The review of operations forms part of the report to shareholders.

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is enclosed and forms part of the directors' report for the six months ended 31 January 2009.

Rounding of amounts

The parent entity is a company of the kind specified in Australian Securities and Investments Class Order 98/0100. In accordance with that class order, amounts in the consolidated financial statements and the directors'

report have been rounded to the nearest thousand dollars unless specifically stated otherwise.

This report has been made in accordance with a resolution by directors.



KM Hoggard
Director



DJ Rathbone AM
Director

Melbourne
31 March 2009

lead auditor's independence declaration

under Section 307C of the Corporations Act 2001



To: the directors of Nufarm Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 January 2009, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Paul J McDonald'.

Paul J McDonald
Partner

Melbourne
31 March 2009

consolidated interim income statement

for the six months ended 31 January 2009

	Note	Consolidated	
		31 Jan 2009 \$000	31 Jan 2008 \$000
Continuing operations			
Revenue		1,235,377	989,845
Cost of sales		(846,060)	(705,313)
Gross profit		389,317	284,532
Other income		3,046	2,151
Share of net profits of associates	11	2,169	299
Sales, marketing and distribution expenses		(116,216)	(118,942)
General and administrative expenses		(133,921)	(65,059)
Research and development expenses		(24,219)	(20,712)
Operating result		120,176	82,269
Barter trade loss realised on option contracts – Brazil		–	(34,259)
Net non-cash revaluation profit/(loss) on proceeds from Nufarm Step-up Securities financing		13,490	(10,931)
Profit before net financing costs and income tax		133,666	37,079
Financial income		4,274	2,402
Financial expenses		(62,243)	(42,270)
Net financing costs		(57,969)	(39,868)
Profit/(loss) before tax		75,697	(2,789)
Income tax benefit/(expense)		(9,952)	7,373
Profit for the period		65,745	4,584
Attributable to:			
Equity holders of the parent	13	65,655	4,553
Minority interest	13	90	31
Profit for the period		65,745	4,584
Earnings per share attributable to ordinary equity holders			
Basic earnings per share	13	30.5	(1.6)
Diluted earnings per share	13	30.5	(1.6)

The income statement is to be read in conjunction with the attached notes.

consolidated interim balance sheet

as at 31 January 2009

	Note	31 Jan 2009 \$000	Consolidated 31 Jan 2008 \$000	31 July 2008 \$000
Current assets				
Cash and cash equivalents		83,628	79,486	59,143
Trade and other receivables		1,044,600	903,953	839,963
Inventories		1,317,646	590,685	843,544
Current tax assets		74,315	40,469	61,185
Total current assets		2,520,189	1,614,593	1,803,835
Non-current assets				
Receivables		25,056	32,039	29,041
Equity accounted investments	11	28,621	22,658	24,264
Other investments		9,670	274	354
Deferred tax assets		125,308	107,656	93,270
Property, plant and equipment		481,486	346,321	433,112
Intangible assets		954,874	626,492	821,500
Other		–	9,663	8,504
Total non-current assets		1,625,015	1,145,103	1,410,045
TOTAL ASSETS		4,145,204	2,759,696	3,213,880
Current liabilities				
Bank overdraft		33,729	21,264	20,841
Trade and other payables		805,624	624,150	778,060
Loans and borrowings	15	1,040,861	626,056	587,612
Employee benefits		33,148	27,271	16,849
Current tax payable		19,919	4,936	12,461
Provisions		6,177	5,959	6,184
Total current liabilities		1,939,458	1,309,636	1,422,007
Non-current liabilities				
Loans and borrowings	15	580,364	380,703	351,456
Deferred tax liabilities		85,490	37,565	57,239
Employee benefits		27,733	18,010	38,118
Payables		34,633	13,686	39,842
Total non-current liabilities		728,220	449,964	486,655
TOTAL LIABILITIES		2,667,678	1,759,600	1,908,662
NET ASSETS		1,477,526	1,000,096	1,305,218
Equity				
Issued capital	13	475,795	243,137	456,870
Reserves	13	147,541	15,585	6,822
Retained earnings	13	605,943	493,398	593,558
Equity attributable to equity holders of the parent		1,229,279	752,120	1,057,250
Nufarm Step-up Securities	13	246,932	246,932	246,932
Minority interest	13	1,315	1,044	1,036
TOTAL EQUITY	13	1,477,526	1,000,096	1,305,218

The balance sheet is to be read in conjunction with the attached notes.

consolidated interim statement of cash flows

for the six months ended 31 January 2009

	Note	Consolidated 31 Jan 2009 \$000	31 Jan 2008 \$000
Cash flows from operating activities			
Cash receipts from customers		1,242,385	902,631
Cash paid to suppliers and employees		(1,565,407)	(1,087,629)
Cash generated from operations		(323,022)	(184,998)
Interest received		4,274	2,402
Dividends received		–	175
Interest paid		(62,243)	(42,270)
Income tax paid		(19,835)	(35,405)
Net cash used in operating activities		(400,826)	(260,096)
Cash flows from investing activities			
Proceeds from business sale		306	541
Payments for plant and equipment		(28,812)	(36,302)
Payments for investments		(8,321)	–
Purchase of businesses, net of cash acquired		(14,454)	(212,206)
Payments for acquired intangibles and major product development expenditure		(38,451)	(19,328)
Net investing cash flows		(89,732)	(267,295)
Cash flows from financing activities			
Proceeds from borrowings		538,954	559,157
Repayment of borrowings		–	(6,859)
Distribution to NSS holders		(12,547)	(10,772)
Dividends paid	13	(34,481)	(36,033)
Net financing cash flows		491,926	505,493
Net increase/(decrease) in cash and cash equivalents		1,368	(21,898)
Cash and cash equivalents at the beginning of the year		38,302	79,661
Exchange rate fluctuations on foreign cash balances		10,229	459
Cash and cash equivalents at the end of the year		49,899	58,222

The statement of cash flows is to be read in conjunction with the attached notes.

consolidated interim statement of recognised income and expense

for the six months ended 31 January 2009

	Note	Consolidated	
		31 Jan 2009 \$000	31 Jan 2008 \$000
Items recognised directly in equity			
Foreign exchange translation differences	13	140,908	6,298
Actuarial gains/(losses) on defined benefit plans	13	(1,659)	971
Income and expense recognised directly in equity		139,249	7,269
Profit for the period		65,745	4,584
Total recognised income and expense for the period		204,994	11,853
Attributable to:			
Shareholders of the company		204,904	11,822
Minority interest		90	31
Total recognised income and expense for the period		204,994	11,853

Other movements in equity arising from transactions with owners as owners are set out in note 13.
The amounts recognised directly in equity are disclosed net of tax.

The statement of recognised income and expense is to be read in conjunction with the attached notes.

condensed notes to the consolidated interim financial report

1. Reporting entity

Nufarm Limited (the 'company') is domiciled in Australia. The consolidated interim financial report of the company as at and for the six months ended 31 January 2009 comprises the company and its subsidiaries (together referred to as the 'consolidated entity') and the consolidated entity's interest in associates and jointly controlled entities.

The consolidated annual financial report for the consolidated entity as at and for the year ended 31 July 2008 is available upon request from the company's registered office at 103–105 Pipe Road, Laverton North, Victoria, Australia or at <http://www.nufarm.com>

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 31 July 2008.

The consolidated interim financial report was approved by the Board of Directors on 31 March 2009.

The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 31 July 2008.

4. Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 July 2008.

5. Financial risk management

The consolidated entity uses foreign exchange contracts and interest rate caps to manage the foreign currency and interest rate exposures between the Nufarm Step-up Securities issued in Australia and New Zealand, and the group funding to several jurisdictions to which the funds were advanced. The foreign exchange contracts cover the exposure on the principal advanced to group companies in US dollars, Euros, the British Pound and the Canadian dollar. The interest rate caps hedge the interest rate risk on the distribution to Nufarm Step-up Security holders. The distribution rate is the average mid-rate for bills with a term of six months plus a margin of 1.90 per cent.

Other aspects of the consolidated entity's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 31 July 2008.

6. Segment reporting

Segment information is presented in respect of the consolidated entity's business and geographic segments. The primary format, geographic segments, is based on the consolidated entity's management and internal reporting structure.

The consolidated entity operates predominantly in one business segment, being the crop protection industry. The business is managed on a worldwide basis, with the major geographic segments for reporting being Australasia, Europe, North America and South America. The North America region includes Canada, USA, Mexico, the Central American countries and the Andean region. The South America region includes Brazil, Argentina, Chile, Uruguay, Paraguay and Bolivia.

In presenting information on the basis of geographic segments, segment revenue is based on the geographic location of customers. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing loans, borrowings and expenses, and corporate assets and expenses. Inter-segment pricing is determined on an arm's length basis.

Geographic segments 2009	Australasia \$000	Europe \$000	North America \$000	South America \$000	Consolidated \$000
Revenue					
Total segment revenue	341,701	254,768	356,882	282,026	1,235,377
Results					
Segment result before associate profit	81,163	26,338	52,257	(18,913)	140,845
Share of profit of associates	248	1,871	50	–	2,169
Segment result	81,411	28,209	52,307	(18,913)	143,014
Unallocated corporate expenses					(22,838)
Operating result					120,176
Net non-cash revaluation profit/(loss) on proceeds from Nufarm Step-up					
Securities financing					13,490
Net financing costs					(57,969)
Income tax expense					(9,952)
Profit for the period					65,745

condensed notes to the consolidated interim financial report continued

6. Segment reporting (continued)

Geographic segments 2008	Australasia \$000	Europe \$000	North America \$000	South America \$000	Consolidated \$000
Revenue					
Total segment revenue	365,455	183,583	189,928	250,879	989,845
Results					
Segment result before associate profit	48,664	1,240	5,793	48,413	104,110
Share of profit of associates	532	(243)	10	–	299
Segment result	49,196	997	5,803	48,413	104,409
Unallocated corporate expenses					(22,140)
Operating result					82,269
Barter trade loss realised on option contracts – Brazil					(34,259)
Net non-cash revaluation profit/(loss) on proceeds from Nufarm Step-up					
Securities financing					(10,931)
Net financing costs					(39,868)
Income tax benefit					7,373
Profit for the period					4,584

7. Seasonality of operations

The profitability and cash flow of the business remains seasonal with a strong weighting towards the second half. This reflects the key selling period for the crop protection business, particularly in Australia, Europe, North America and South America.

8. Other expenses

The following expenses were included in the operating result:

	Consolidated	
	31 Jan 2009 \$000	31 Jan 2008 \$000
Depreciation and amortisation	(34,279)	(23,010)
Exchange losses	(48,562)	(6,182)

The exchange losses are included in general and administrative expenses on the face of the income statement. There is \$16.3 million included in the losses, which is caused by USD denominated loans taken out to fund the Agripec acquisition in Brazil.

9. Items of material income and expense

The following material items were included in the period result:

	Consolidated	
	31 Jan 2009 \$000	31 Jan 2008 \$000
Gain on sale of land and buildings	–	502
Commerce Commission inquiry costs	(7,025)	–
Barter trade loss realised on option contracts – Brazil	–	(34,259)
Net non-cash revaluation profit/(loss) on proceeds from Nufarm Step-up Securities financing	13,490	(10,931)
Due diligence costs	(2,986)	(1,500)
Material items profit/(loss) before tax	3,479	(46,188)
Tax (expense)/benefit thereon	(2,953)	15,377
Material items profit/(loss) after tax	526	(30,811)

10. Acquisition of subsidiaries

On 1 October 2008, the group acquired the shares in Lefroy Seeds Pty Ltd. Lefroy Seeds specialises in hybrid breeding, production and commercialisation activities in sunflower and sorghum with facilities located in Toowoomba, Queensland, Australia.

There were no subsidiaries acquired in the six months ending 31 January 2008.

	Recognised values \$000	Fair value adjustments \$000	Carrying amounts \$000
Acquisitions in the six months to 31 January 2009			
Acquiree's net assets at acquisition date			
Cash and cash equivalents	175	–	175
Receivables	353	–	353
Inventory	236	102	338
Property, plant and equipment	167	–	167
Intangibles	8	(8)	–
Other assets	621	–	621
Trade and other payables	(113)	–	(113)
Employee benefits	(21)	(85)	(106)
Interest bearing loans and borrowings	–	–	–
Other liabilities	(68)	–	(68)
Net identifiable assets and liabilities	1,358	9	1,367
Acquisition costs			(46)
Intangibles acquired on acquisition			5,074
Goodwill on acquisition			5,075
Consideration paid			11,470
Cash acquired			(175)
Consideration satisfied by issue of shares			(7,975)
Net cash outflow			3,320

condensed notes to the consolidated interim financial report continued

11. Equity investments

The consolidated entity has the following investments in associates:

	Country	Ownership and voting interest		Share of after tax profit/(loss)	
		31 Jan 2009 percentage	31 Jan 2008 percentage	31 Jan 2009 \$000	31 Jan 2008 \$000
Bayer CropScience Nufarm Limited	UK	25	25	1,246	(987)
Excel Crop Care Ltd	India	14.69	14.69	309	464
F&N joint ventures	East Europe	50	50	625	744
Other				(11)	78
Share of after tax profits/(losses) of associates				2,169	299

The eastern European joint ventures are 50/50 ventures owned with FMC Corporation and exist in Poland, Slovakia and the Czech Republic.

12. Property, plant and equipment

Acquisition and disposals

During the six months ended 31 January 2009, the consolidated entity acquired assets with a cost of \$28,812,151 (six months ended 31 January 2008: \$36,301,571). Assets acquired through business combinations in the six months to 31 January 2009 were \$167,319 (six months ended 31 January 2008 Nil). Assets with a book value of \$313,154 were disposed of during the six months ended 31 January 2009 (six months ended 31 January 2008: \$6,851,210). There were no assets disposed of through the sale of discontinued operations in the six month period to 31 January 2009 nor in the comparative period for 2008.

Capital commitments

During the six months ended 31 January 2009, the consolidated entity entered into contracts to purchase property, plant and equipment for \$11,935,946 (six months ended 31 January 2008: \$20,272,222).

13. Capital and reserves

	31 Jan 2009 \$000	31 Jan 2008 \$000
Dividends		
The following dividend was paid by the consolidated entity during the six months ended 31 January 2009 and represents the final 2008 dividend.		
In the six months ended 31 January 2009		
\$0.23 per ordinary share (2008: \$0.21)	42,828	36,033
Distributions on the Nufarm Step-up Securities		
The following distributions were paid by Nufarm Finance (NZ) Ltd.		
In the six months ended 31 January 2009		
Nufarm Step-up Securities distribution rate 9.97% (2008: 8.56%)	12,547	10,772

The distribution on the Nufarm Step-up Securities reported on the equity movement schedule has been reduced by the tax benefit on the distribution, giving an after-tax amount of \$8.783 million (six months ended 31 January 2008 \$7.217 million).

13. Capital and reserves (continued)

	31 Jan 2009	31 Jan 2008
	\$000	\$000
Earnings per share		
Net profit for the six months ended 31 January	65,745	4,584
Net profit attributable to minority interest	(90)	(30)
Net profit attributable to equity holders of the parent	65,655	4,554
Nufarm Step-up Securities distribution (net of tax)	(8,783)	(7,217)
Earnings used in the calculations of basic and diluted earnings per share	56,872	(2,663)
Earnings from continuing operations	56,872	(2,663)
Earnings from discontinuing operations	–	–
	56,872	(2,663)
Add/subtract material items profit/(loss) (refer note 9)	526	(30,811)
Earnings excluding material items used in the calculation of operating earnings per share	56,346	28,148

	Number of shares	
	31 Jan 2009	31 Jan 2008
Weighted average number of ordinary shares used in calculation of basic earnings per share	186,690,913	171,595,454
Weighted average number of ordinary shares used in calculation of diluted earnings per share	186,690,913	171,595,454

	Cents per share	
	31 Jan 2009	31 Jan 2008
Earnings per share for continuing and discontinued operations		
Basic earnings per share		
From continuing operations	30.5	(1.6)
From discontinuing operations	–	–
	30.5	(1.6)
Diluted earnings per share		
From continuing operations	30.5	(1.6)
From discontinuing operations	–	–
	30.5	(1.6)
Earnings per share (excluding material items of profit/loss – see note 9)		
Basic earnings per share	30.2	16.4
Diluted earnings per share	30.2	16.4

condensed notes to the consolidated interim financial report continued

13. Capital and reserves (continued)

Reconciliation of movements in capital and reserves

Consolidated	Share capital \$000	Translation reserve \$000
Balance at 1 August 2007	240,795	(24,344)
Foreign exchange translation differences	–	6,302
Actuarial gains/(losses) on defined benefit plans	–	–
Shares issued to employees	2,328	–
Tax benefit on share issue costs	14	–
Profit for the period	–	–
Dividends paid to shareholders	–	–
Distributions to Nufarm Step-up Security holders	–	–
Balance at 31 January 2008	243,137	(18,042)
Balance at 1 August 2008	456,870	(26,805)
Foreign exchange translation differences	–	140,719
Actuarial gains/(losses) on defined benefit plans	–	–
Shares issued as consideration for business acquisition	7,975	–
Shares issued to employees	2,610	–
Dividend reinvestment plan	8,340	–
Profit for the period	–	–
Dividends paid to shareholders	–	–
Distributions to Nufarm Step-up Security holders	–	–
Balance at 31 January 2009	475,795	113,914

Capital profit reserve \$000	Retained earnings \$000	Minority interest \$000	Nufarm Step-up Securities \$000	Total equity \$000
33,627	531,124	1,017	246,932	1,029,151
–	–	(4)	–	6,298
–	971	–	–	971
–	–	–	–	2,328
–	–	–	–	14
–	4,553	31	–	4,584
–	(36,033)	–	–	(36,033)
–	(7,217)	–	–	(7,217)
33,627	493,398	1,044	246,932	1,000,096
33,627	593,558	1,036	246,932	1,305,218
–	–	189	–	140,908
–	(1,659)	–	–	(1,659)
–	–	–	–	7,975
–	–	–	–	2,610
–	–	–	–	8,340
–	65,655	90	–	65,745
–	(42,828)	–	–	(42,828)
–	(8,783)	–	–	(8,783)
33,627	605,943	1,315	246,932	1,477,526

condensed notes to the consolidated interim financial report continued

14. Contingent liabilities

Contingent liabilities total \$33.3 million at 31 January 2009 compared to \$26.5 million at 31 July 2008.

15. Financing facilities

The group has financing facilities of \$83 million due for renewal between February and July 2009. The group believes that all of these facilities will be renewed as they fall due.

16. Subsequent events

On 31 March 2009, the directors declared an interim dividend of 12 cents per share, payable 8 May 2009, with the record date for entitlement being 17 April 2009. Interim dividend for 2008 was 12 cents per share fully franked.

Nufarm is considering divesting its 25 per cent participation in the manufacturing joint venture Bayer CropScience Nufarm Limited that produces HBN herbicides in Europe. The joint venture operates manufacturing plants in France (operated by Nufarm) and in the UK (operated by Bayer CropScience). Production is planned to be consolidated at the UK site at Norwich, with Nufarm entering into a long term supply arrangement with Bayer CropScience.

directors' declaration

In the opinion of the directors of Nufarm Limited (the company):

- (a) the financial statements and notes set out in this report are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 January 2009 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



KM Hoggard
Director



DJ Rathbone AM
Director

Melbourne
31 March 2009

independent auditor's review report



Independent auditor's review report to the members of Nufarm Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Nufarm Limited, which comprises the consolidated interim balance sheet as at 31 January 2009, income statement, statement of recognised income and expense and cash flow statement for the half year ended on that date, a statement of accounting policies and other explanatory notes 1 to 16 and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year's end or from time to time during the half year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 January 2009 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Nufarm Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

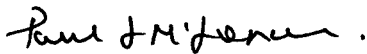
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Nufarm Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 January 2009 and of its performance for the half year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG



Paul J McDonald
Partner

Melbourne
31 March 2009

directory

Directors

KM Hoggard – Chairman
GDW Curlewis – Deputy chairman
DJ Rathbone AM – Managing director
Dr WB Goodfellow
GA Hounsell
DG McGauchie AO
Dr JW Stocker AO

Company secretary

R Heath

Solicitors

Arnold Bloch Leibler & Co
333 Collins Street
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Sylvia Miller & Associates
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Elsternwick Victoria 3185 Australia

Auditors

KPMG
147 Collins Street
Melbourne Victoria 3000 Australia

Trustee for Nufarm Step-up Securities

Permanent Trustee Company Limited
35 Clarence Street
Sydney New South Wales 2000 Australia

Share register

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Nufarm Limited
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