

March 29, 2005

Report to shareholders 6 months ended January 31, 2005

Nufarm Limited has generated an operating profit of \$27 million for the half year period ending on January 31, 2005. This result includes a contribution of \$18.2 million relating to Nufarm's investment in Brazilian crop protection company, Agripec.

The reported profit, which includes a net \$1.3 million gain from a number of non-operating items, is \$28.3 million.

Excluding the contribution of Agripec, the 2005 interim operating profit generated by existing operations is \$8.8 million compared to a loss of \$1.9 million in the previous year.

Directors said the excellent first half results reflect improved summer cropping conditions in Australia and strong sales growth in a number of Nufarm's key overseas markets, in particular the USA.

Earnings per share were 16.8 cents, compared to (1.2) cents for the six months to January 31, 2004.

Sales for the period increased by 27% to \$686 million. 54% of revenues were generated in Australasia (57% in first half 2004); 24% in the Americas (19%); and 22% in Europe (24%).

The interim dividend has been increased from 8 cents to 9 cents (fully franked) and will be paid on April 29 to all holders of ordinary shares in the company as of April 8.

There was an increase in comparable working capital levels at the half year, mainly attributable to higher inventories associated with the BASF product range in Australia (not present in the first half of 2004); and the manufacture and stocking of additional product in Nufarm's US business in anticipation of higher second half sales.

Net debt to equity at the half year was 126% (113% previous corresponding period), reflecting increased debt associated with the Agripec acquisition. The current performance of the business, including projected cash flows and working capital management in the second half, indicates that previous guidance on target gearing levels for the full year will be comfortably met.

Review of operations

Crop Protection

Crop protection revenues were \$628 million and up 31% in the first half. They accounted for 92% of total revenues.

Segment profit (operating profit pre tax and unallocated costs but including Agripec) was \$58.2 million (\$26.8m p.c.p.), with the gross margin slightly lower at 42.5%. The drop in gross margin is associated with product mix (higher first half sales of lower margin products) and with increased sales in generally lower margin markets.

Sales in Australia were approximately 20% up on the same period last year. This was due to generally favourable seasonal conditions in the key regions creating good demand for

summer weed products; strong sales into an expanded cotton crop and an early marketing program on some glyphosate products aimed at smoothing demand.

The Australian business also benefited from its distribution of BASF crop protection products for the first time during this period.

Higher raw material and transportation costs impacted margins on some products, however measures have been put in place to substantially recover those positions by year end.

New Zealand sales are on budget but slightly behind last year.

Asian sales for the first half are ahead of last year, with Malaysia, Indonesia and Japan generating strong results and well positioned for an above budget sales and profit outcome for the full year.

In the USA, Nufarm has continued to gain market share, as the major distributors continue to support the company and the product range is expanded. Sales into the main agriculture segment are well ahead for the first six months of 2004, driven by increased glyphosate and phenoxy volumes. Sales into the turf and specialty segment are also significantly higher than for the corresponding period last year.

Costs in the US have also increased, largely due to increased warehousing and transportation requirements associated with higher sales volumes.

The company has established a new product development laboratory in Research Triangle Park (North Carolina) to support expanded development and formulation work as Nufarm broadens its product portfolio and evaluates new opportunities in fungicides and insecticides.

The company secured higher sales in South America, with a strong performance from the existing Nufarm business in Brazil – and higher sales in Argentina and Chile – all making positive contributions. Nufarm's branded products business in Brazil will be integrated with the Agripec business within the current financial year.

A late winter and cold conditions in northern Europe negatively impacted demand for product, particularly during the latter months of the period. Despite this, Nufarm's presence continued to grow in the major European markets of France, Germany, the UK and Spain. This growth was partly driven by strong sales of the former BASF phenoxy brands, acquired by Nufarm in January of 2004.

Efforts to transition the French business from a predominantly third party supplier to a branded products business are showing encouraging results, with improved margins on increased sales in the first half.

First half sales in Spain are some 20% above the same period last year, but drought conditions in the south of the country have had a negative impact on cropping activity.

The German business is marginally ahead of last year. Sales of the proprietary and higher margin 'Ralon Super' herbicide have been delayed due to the cold/wet conditions and will occur in the second half.

The late winter has also impacted timing of sales in the UK, however Nufarm continues to strengthen its position in branded products and a restructuring of the UK based manufacturing facility has provided some important improvements in logistics for this business.

Agripec

Nufarm completed a 49.9% investment in Brazilian crop protection company Agripec in the reporting period. The transaction, valued at US\$120 million, saw Nufarm receive a full 6 months contribution from this investment for the reporting period. Given the seasonality of Agripec's sales and profit – which is concentrated in the August to December period – the majority of the full year contribution from this investment is recorded in Nufarm's first half.

The net contribution from Agripec for the six months to January 31, 2005, is \$18.2 million. Borrowing costs were minimal given the timing of completion of the transaction towards the end of the six month period.

Agripec generated US\$210 million in sales in calendar year 2004, an increase of approximately 80% on its 2003 revenues. A large part of Agripec's sales growth – and that of other major crop protection suppliers in Brazil - was driven by higher sales of fungicides to treat Asian Rust in the country's soybean crop. This need is now being met and demand for fungicides is expected to level off in 2005.

Agripec moved from 10th to 8th in local supplier rankings and retained its position as the second largest supplier of glyphosate in the Brazil behind Monsanto.

Industrial chemicals

Industrial chemical revenues were \$57.4 million, down 8% on the previous six month period. Segment profit was \$3.8 million (\$2.1 million in 2003).

Revenues from the company's two chlor alkali plants (80% owned) in Western Australia were slightly down compared to last year, with lower than expected chlorine off-take and a subsequent impact on revenues from caustic soda sales.

The Nufarm Specialty Products business was divested in January and contributed a net \$0.8 million for the first six months.

The SEAC pharmaceutical intermediates business generated sales approximately in line with 2003. Negotiations relating to the proposed sale of the SEAC business are well advanced and – as previously advised - it is anticipated that this divestment will be completed within the current financial year.

Divestments / non operating items

The net impact of one-off items, at January 31, is a gain of \$1.3 million. These items included several divestments; some restructuring costs; and the write-down of intangibles relating to several small businesses. The major components were:

- The Nufarm Specialty Products business – based in South Carolina, USA – was sold for total consideration of US\$31 million. The company also sold its share of a business in Australia called Biological Wool Harvesting. The net gain after tax on these two divestments was approximately \$14.5 million.
- The company continued its review of manufacturing assets and took a number of initiatives aimed at maximising efficiency and return on capital employed. Work undertaken during the period included the transfer of some synthesis activity from Nufarm's Belvedere manufacturing plant in the UK to the company's phenoxy plant in Botlek, Netherlands; and the installation at Belvedere of new formulation and packaging facilities to service Nufarm's growing branded product sales in the UK. An

after tax charge of some \$10 million was taken in the period in association with those works. No additional costs in relation to these initiatives are anticipated for the balance of the 2005 financial year.

- Minor write-downs of two intangible assets were recorded in the half. The company has vigorously tested the carrying value of all its investments, including intangible assets, and no further adjustments are required.

Outlook

Directors believe Nufarm is in an excellent position to capitalise on average to good seasonal conditions in the company's major crop protection markets during the balance of the 2005 financial year.

The seasonality of the business remains heavily weighted to the second half, with April to July representing the peak selling period in all of the company's major markets except South America.

While trading conditions remain very competitive in many of Nufarm's markets, any adverse impact on margins is expected to be offset by higher volume sales in those regions.

At the half year, the signs are very encouraging that the French business will deliver a much improved performance over the full 12 months, as the restructuring program continues to generate additional sales of branded products.

The Agripec investment in Brazil is now forecast to contribute approximately \$22 - \$24 million for the full year. The upwards revision in this forecast reflects continued growth in Agripec's sales – and the Brazil market generally – lower than originally forecast borrowing costs associated with this investment, and clarification of the tax incentive program available to Agripec and its consequential benefit to Nufarm.

Due to the sale of Nufarm Specialty Products and the pending sale of SEAC, it is anticipated that the total net operating profit contribution from these businesses in the current financial year will be approximately \$1 million.

Given strong trading conditions to date in our major global markets; the revised contribution from the Agripec investment; and the positive outlook for the remainder of the financial year, we are now confident of achieving approximately 35% growth in our full year operating profit.

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