

September 29, 2006

**Preliminary announcement**

**Full year results for the period ending July 31, 2006**

<b>Financial highlights</b>	
<b>Reported net profit -</b>	<b>\$121.2 million</b>
<b>Group revenues -</b>	<b>\$1.68 billion</b>
<b>Tax paid operating profit -</b> (exc. non operating items)	<b>\$121.1 million</b>
<b>Earnings per share -</b> (exc. discontinued operations)	<b>60.3 cents</b>
<b>Full year dividend -</b>	<b>30 cents</b>
<b>Gearing (net debt to equity) -</b>	<b>81%</b>
<b>EBIT – Interest cover -</b>	<b>4.3 times</b>
<b>Return on average funds employed -</b>	<b>17.8%</b>

The directors of Nufarm Limited announced today a net profit of \$121.2 million for the year ended July 31, 2006. After allowing for non operating items, the tax paid operating profit of \$121.1 million is slightly below the previous year's net operating profit of \$121.7 million.

Total group sales from continuing operations were \$1.68 billion, up just over 6.5% on the 2005 year.

An excellent performance from Nufarm's wholly owned crop protection businesses, which generated net profit growth of some 26%, was offset by a substantially lower contribution from Nufarm's 49.9% equity interest in Brazilian crop protection company, Agripec.

Negative farm sector economics in Brazil and a conservative risk management approach resulted in Agripec making a net profit contribution of \$1.9 million, after financing costs of \$9.7 million (2005 - \$5.1 million). This is well below the \$26.9 million contribution booked from this investment in the 2005 year.

Nufarm's North American and European operations posted strong growth in revenues and profit, with the European businesses also benefiting from efficiency gains in several manufacturing locations.

The company's Australian business capitalised on sales of new products into higher margin segments and was able to achieve a solid performance despite very mixed seasonal conditions across Australia's major cropping regions in the last few months of the financial year.

Australasia accounted for 45% of total sales; the Americas 32% and Europe 23%. Nufarm's interest in Agripec is equity accounted and the sales are therefore not included in the above revenue splits.

Earnings per share (on an operating basis, excluding discontinued operations) were 60.3 cents, in line with last year's 60.5 cents.

Net debt to equity was up slightly at year end (81% versus 78% at July 31, 2005), due to an increase of \$108 million in working capital requirements. Trading receivables were \$42 million higher due to increased June/July sales in North America and Europe (June/July group sales up \$61 million on the previous year). Trade creditors were some \$59 million lower in 2006, associated with earlier purchasing of inventory to meet anticipated sales demand in Australia. Seasonal conditions meant that demand was lower than expected.

Return on funds employed was 17.8%.

Net interests costs increased from \$38.3 million to \$49.2 million due to a full year of interest on debt associated with the Agripec investment (an additional \$5 million in interest) and a combination of higher debt utilisation for working capital and increased interest rates in the USA and Australia.

While the overall tax rate was consistent with the previous year, total taxes were higher due to the increased profitability of the wholly owned businesses.

## Non operating items

The company booked a small net profit (\$47,000) from the combination of the sale of non core businesses; costs associated with various restructuring initiatives and other non operating items during the 2006 reporting period. These items are detailed in the notes to the accounts.

## Final Dividend

Directors have declared a fully franked final dividend of 20 cents per share (last year 17 cents per share) which will be paid on November 10 to the holders of all fully paid shares in the company as at the close of business on October 20.

The resulting full year dividend payment of 30 cents per share is an increase of 4 cents (15%) on the previous year.

## Business review

Total crop protection sales increased by 6.5% to \$1,676 million, with operating profit before tax, interest and head office charges up by just over 23% to \$215.7 million.

Excluding Brazil, Nufarm's crop protection businesses generated net profit growth of some 26%. This was achieved via a combination of increased revenues and a strengthening in

gross margins in the company's major markets. Price increases were implemented in an effort to recover margin lost in the 2005 financial year brought about by the limited ability to pass through higher costs due to late seasonal factors. An ongoing program aimed at improving the efficiency of Nufarm's manufacturing operations and reducing costs in other parts of the business also contributed to improved margins and helped the company absorb additional cost increases in some areas.

Business conditions for the crop protection industry during the 12 months period were challenging in a number of markets. Despite a contraction in total industry sales in several key regions, Nufarm has achieved revenue growth and continued to win market share gains. Increased sales of core products, including phenoxy herbicides and glyphosate, have been complemented with the introduction of a number of new products and improved penetration into distribution channels.

### **Australasia**

Seasonal conditions in Australia were mixed. Summer cropping conditions were positive, generating very good sales in the period up until Christmas 2005. Early rains in Western Australia also resulted in large sales of pre-emergent and knockdown herbicides. After some encouraging rainfalls in early May, however, conditions remained very dry until mid July, with distribution customers then taking the opportunity to stock up on post emergent products.

Full year sales for the Australian businesses were slightly down on the previous year. Sales into broadacre cereal crops were adversely impacted by the dry autumn conditions and strong competition for sales in this segment also constrained margins. The businesses generated an excellent performance in the horticulture segment – assisted by the introduction of several new products – and increased sales of higher margin products into forestry and industrial segments. Initial sales of seed treatments, through the Crop Care business, were also positive.

General operating expenses were contained and a number of other initiatives led to increased manufacturing efficiencies. Export sales of 2,4-D were higher and generated stronger margins than in the previous year.

During the period, Nufarm made two acquisitions aimed at consolidating its position in the Australian seeds business. The purchase of Australia's leading canola seed production and marketing company, Dovuro Seeds, and the specialty canola seed breeding company, Nutrihealth Pty Ltd, gives Nufarm a leadership position in canola.

The seed business is a logical extension of Nufarm's strong position in the Australian crop protection market whereby the company is able to utilise its existing distribution channels and achieve linkages with the company's chemistry business via seed treatment solutions and the herbicide tolerant 'Clearfield' system (BASF technology distributed in Australia by Nufarm).

Total New Zealand sales were in line with the previous reporting period. After a positive first half, seasonal conditions deteriorated in the second six months, with an early 'cold snap' resulting in a slowdown of sales activity. The New Zealand apple industry was adversely affected by low prices, with many orchards removed or left unmanaged, reducing Nufarm's sales of inputs to that key segment. The launch of 'Roundup Transorb' - a new premium formulation of glyphosate - was very successful and several other herbicide products performed strongly.

The company sold its New Zealand based animal health toll manufacturing business to Argenta Manufacturing Limited. The sale was effective on July 31, 2006 and total proceeds of the sale were \$25 million.

This animal health business was a division of Nufarm Health & Sciences, located at Manurewa, near Auckland. The business manufactured animal health products on behalf of leading animal health companies.

Sales in the Asian based businesses were up by 10% (to \$96 million). Together with lower expenses, and an improved gross margin in markets such as Japan, this contributed to a stronger profit performance overall. Indonesia, in particular, performed above expectations, with both sales and profit growth in a very competitive market. Additional sales were also made to a number of smaller, but expanding, Asian markets.

## Americas

Nufarm's crop protection businesses in North America recorded strong revenue growth, up some 20% on the previous year. Net profit was also up strongly, driven by new higher margin product introductions, price rises on key products, and further improvements in manufacturing efficiencies.

Seasonal influences in the USA were varied, with good growing conditions in the mid-west, dry conditions in Texas and Kansas, and wet weather (with relatively low disease pressure) in coastal regions. Total industry sales in the USA are estimated to have fallen by more than 5% during the period, highlighting Nufarm's excellent performance in this market.

Glyphosate volumes were higher, due in part to increased penetration of Monsanto's Roundup Ready<sup>®</sup> corn. Nufarm achieved market share gains in a bigger overall market. Price increases on phenoxy herbicides improved the profitability of those products despite no significant increase in sales volumes. The business successfully launched a number of new products, reinforcing Nufarm's strong relationships with key US distributors. The copper fungicide market was unsettled, with historically high input costs.

Nufarm USA achieved several registration approvals for new products based on the industry leading insecticide, imidacloprid. An initial sale of product was also made prior to year end. Imidacloprid is the world's largest selling insecticide and provides Nufarm with a platform position in this important product category.

Trading conditions in the US turf, forestry and industrial vegetative management segments were challenging, however, an expanded product portfolio enabled Nufarm to generate a solid result for the full year in those markets.

Sales in Canada were up by almost 50% over the previous year, following the acquisition of the selective grass herbicide 'Assert' from BASF. Nufarm achieved an overall market share gain against a backdrop of below average seasonal conditions and downward pressure on margins as the market adjusts to lower US pricing across a range of products.

In South America, strong top line growth was driven by Nufarm's new acquisition in Colombia, Agroquímicos Genéricos SA (Agrogen) in December 2005. Sales in Colombia increased from approximately \$2 million to almost \$20 million in the 12 months period and the business achieved strong gross margins. Five new products were introduced and the integration of Nufarm's existing operations with the Agrogen business was well executed, with positive support from the customer base.

Increased sales in Argentina were offset by continued margin pressure on core products

such as glyphosate. Sales of differentiated products achieved stronger margins, however, and good progress was made on expanding the product portfolio. While sales in Chile were also up on the previous year, the business did not meet its budgeted result due to delays in the registration approvals of several products.

### **Agripec - Brazil**

Nufarm's 49.9% interest in Agripec generated an equity accounted net profit of \$1.9 million in the 2006 financial year. This is significantly below the contribution booked from this investment in 2005 (\$26.9 million) and also below Nufarm's most recent guidance in respect of Agripec issued in early August (\$5 - \$7 million).

Net Agripec sales for the period were down some 18% in local currency.

The Brazilian farm sector has experienced extremely difficult conditions during the period spanning Nufarm's 2006 financial year. Adverse currency impacts; tighter availability of credit; issues relating to collection of payments; and lower prices generated by stronger competition for reduced sales have all contributed to a lower profit outcome for crop protection companies and other suppliers of agricultural inputs.

Nufarm and Agripec management have responded to these challenges with measures to reduce exposure to future bad debts. Some sales have been retrieved (reversed) from the market; incentives have been offered to ensure outstanding payments are received; and Agripec has elected to not make sales to certain customers until accounts have been fully settled.

In the month of July, Agripec also increased provisions for doubtful debts and additional discounts to ensure receivables are not overstated. This decision resulted in a lower final result but is consistent with Nufarm's conservative risk management policies relating to current business conditions in Brazil.

While the market conditions have been very tough, with a subsequent negative impact on the results of the business, Agripec continues to make positive progress towards expanding its product portfolio. New registrations and co-marketing arrangements with other suppliers have provided increased opportunities to sell into alternative segments to the badly affected soybean crop such as sugar, citrus and corn.

Given the continued uncertainty relating to business conditions in Brazil, the company is forecasting only marginal earnings growth from the Agripec investment within the 2007 financial year.

### **Europe**

Europe experienced a long winter, leading to both a delay and reduction in overall crop protection selling activity. Parts of Spain were again affected by drought, as were important cropping regions in Southern France. Most of the key Western European markets saw a drop in industry sales from the previous year.

Nufarm European crop protection sales were up by some 5% on the previous year. Operating profit rose sharply as a result of improved margins in most markets and the positive impact of restructuring initiatives in manufacturing operations.

The re-organisation of manufacturing activities associated with Nufarm's industry leading 'methyls' business resulted in strong gains in production and logistics efficiencies. Synthesis activity was consolidated at the company's Botlek facility in Holland, improving overhead recoveries at that plant. This facilitated an expansion of formulation and packaging of finished products at the UK plant at Belvedere. This re-organisation program was initiated two years ago and has involved significant non-operating charges (last year \$16.2 million). While further efficiencies will be evaluated on an ongoing basis, the major elements of the program are complete and profit gains of some \$12.7 million have been achieved in the 2006 financial year, reflected in the improved European results.

In France, the prolonged winter was followed by generally hot and dry conditions, impacting sales opportunities in the major segments of cereals and vines. Nufarm achieved slightly higher sales in a falling market. The French specialty and industrial business generated good sales growth.

Sales in Germany were up by 15% on the previous year. This was mainly attributable to higher sales of fungicides and several new product registrations. Seasonal conditions were not positive for herbicide sales, but Nufarm increased its position in corn herbicides with new bromoxynil mixtures. Price increases for glyphosate and a number of growth regulator products also improved profitability.

Branded sales in the UK were again strong, with Nufarm continuing to win market share. Again, growth was driven by the introduction of new products in a number of crop segments and strong support from the customer base and market.

Drought conditions affected industry sales in Spain for the second consecutive year. Cereal crops were negatively impacted and depressed fruit and vegetable prices also reduced sales opportunities in that segment. In challenging circumstances, Nufarm generated a solid result with good sales of the U-46 phenoxy herbicide brands, insecticides, and copper fungicides.

Additional sales growth was achieved in a number of Eastern European markets and Nufarm continues to pursue new product registrations to develop closer relationships with the local distribution base in markets such as Poland, Hungary, Ukraine and Romania, where a new marketing operation has recently been established.

## Subsequent events

### **Acquisition of 'Roundup Ready' canola program**

The company announced on September 6 that it had acquired a licence to develop and commercialise Roundup Ready<sup>®</sup> canola in Australia. Nufarm paid Monsanto a total of \$10 million for Monsanto's Roundup Ready<sup>®</sup> canola germ plasm and a licence to the Roundup Ready<sup>®</sup> canola trait.

The agreement complements Nufarm's recent acquisitions of several seed businesses in Australia and allows Nufarm to accelerate the development and introduction of new seed technologies.

Roundup Ready<sup>®</sup> is a genetic trait that allows farmers to use Roundup herbicide over the top of their crops, offering broad spectrum and efficient weed control and simplifying production of those crops.

## **Proposed divestment of chlor alkali interests**

The company today confirmed it has reached agreement to sell its 80% interest in the Nufarm Coogee joint venture to its joint venture partner, Coogee Chemicals Pty Ltd.

The joint venture operates two chlor alkali plants in Western Australia, supplying chlorine as a feedstock for the manufacture of titanium dioxide.

In the 2006 period, this business generated an operating profit contribution to Nufarm of \$9.1 million (reported as profit on discontinued operations in the profit and loss statement), up from \$6.9 million in the previous year. The improvement was attributable to higher sales of chlorine and an increase in the world indicator price for caustic soda.

The transaction involves the sale of Nufarm's interest, with completion scheduled for July 31, 2007. Nufarm will book a full 12 months earnings contribution from the joint venture in 2007, albeit with lower profit expectations due to an expected downturn in caustic soda prices.

The consideration on the sale will be at least \$48 million, with the final price determined as at completion date. The profit on sale will be approximately \$24 million.

## **Acquisition in Italy**

The company announced on September 28 that it has reached agreement to acquire a crop protection business in Italy for €6.4 million.

## **Replacement of Capital Notes**

The company announced today that it intends to make a public offer of a new hybrid security. The proposed offer is for A\$250 million of Nufarm Step-up Securities ("NSS"), with the ability to accept oversubscriptions of up to A\$50 million. (Refer to Appendix 1 for further information).

Upon a successful raising, the existing capital notes will be purchased from the current note-holders for face value. As a consequence, the current interest expense (8.56%) associated with those notes will not be incurred from December 2006.

NSS is an equity instrument under AIFRS and the floating rate distributions payable will be an allocation of profits – similar to dividends on ordinary shares – rather than an interest expense.

## **Outlook**

The company will continue to pursue profitable growth via the expansion of its geographic platform and an accelerated program of new product introductions.

Nufarm remains in a strong position to achieve ongoing revenue and profit growth in established overseas markets such as North America and Western Europe and will be adding to its product portfolio in those markets during the current financial year. While seasonal conditions remain challenging in Australia, the business is anticipating some growth in certain segments and further progress with the recently established seeds business. Additional expansion into emerging growth markets such as Eastern Europe will be approached with a high regard for appropriate risk management.

The immediate outlook for the farm sector in Brazil remains uncertain. Nufarm's focus will be to work with Agripec management to further expand the product range and continue the diversification of selling opportunities into new crop segments. This will ensure that Agripec is well positioned to take advantage of any improvement in trading conditions in Brazil.

Despite a substantial reduction in the earnings contribution from Agripec in 2006, Nufarm is confident of some growth in the Agripec contribution in the current year. However, management remains cautious and forecasts have again been prepared on a very conservative basis.

More broadly, the company continues to evaluate additional acquisition opportunities on both a market specific and regional basis.

In the 2007 financial year, the company expects to record a total profit in the range of \$155 million - \$160 million. This will include net non operating gains (mainly the profit on sale of the chlor alkali interests) and the accounting impact of replacing the current capital notes with a new security instrument.

Operationally, forecasts have been prepared with due regard to the current outlook for unfavourable seasonal conditions in Australia, the uncertainty in the Brazilian farm sector, and a competitive international market for our products.

The long term objective of achieving an average of 10% growth in net operational earnings has been maintained and the Directors are of the opinion that the future of the company remains positive.

A handwritten signature in black ink, appearing to read 'D. Rathbone'.

Doug Rathbone  
Managing Director

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## Appendix 1

### Offer overview

Nufarm Finance (NZ) Limited (the “**Issuer**” and formerly Fernz Corporation (NZ) Limited), a wholly owned subsidiary of Nufarm Limited (“**Nufarm**”), intends to make a public offer of a new hybrid security. The proposed offer is for A\$250 million of Nufarm Step-up Securities (“**NSS**”), with the ability to accept oversubscriptions of up to A\$50 million.

A Prospectus in relation to the proposed offer will be made available once it has been lodged with the Australian Securities and Investments Commission (“**ASIC**”). If you wish to acquire NSS you will need to complete the application form that will be in or will accompany the Prospectus. Once the Prospectus has been lodged with ASIC, Nufarm will make an announcement to that effect and will release that announcement to the ASX. You may obtain a copy of the Prospectus by contacting the Nufarm Information Line on 1300 652 479 in Australia or from Nufarm’s Australian company website [www.nufarm.com.au](http://www.nufarm.com.au)

NSS are perpetual, subordinated, unsecured, redeemable, exchangeable notes and offer semi-annual, floating rate, non-cumulative distribution payments, based on the six month bank bill swap rate plus a margin.