

Report to shareholders 6 months ended January 31, 2007

March 26, 2007

Nufarm Limited has generated a tax paid profit of \$15.9 million for the half year period ending January 31, 2007. The reported profit includes a net gain of \$2.0 million from non-operating items. The company's \$13.9 million interim operating profit is in line with company guidance provided at last December's Annual General Meeting. It compares with an operating result of \$32.7 million for the same period last year.

The lower profit result is attributable to the impact of severe drought conditions in Australia and a lower first half contribution from Nufarm's interest in the Agripec business in Brazil.

The net profitability of Nufarm's Australian businesses were some \$20 million down on the previous period. Agripec (owned 49.9% by Nufarm and equity accounted) contributed \$13.7 million in the first six months, compared to \$18.3 million in the previous period.

Operating earnings per share were 9.3 cents, compared to 20.1 cents for the six months to January 31, 2005.

Sales for the period were \$580 million, 4% down on the \$603 million achieved in the first half of 2006. 41% of revenues were generated in Australasia (51% in first half 2005); 28% in the Americas (23%); and 31% in Europe (26%).

The interim dividend has been increased from 10 cents to 11 cents (fully franked) and will be paid on April 27 to all holders of ordinary shares in the company as of April 5.

Net working capital at January 2007 was up by some \$140 million over the prior year. The principal contributor to the increase is higher inventories at end January in the Australian business (drought related, plus stock building in anticipation of strong second half demand) and in a number of the larger overseas businesses (building stocks ahead of the major selling season).

The receivables balance at January 31 was also higher due to sales in the month of January being up more than 20% (an increase of approximately \$30 million) over the prior year.

Net debt to equity was 70% (compared to 121% at January 2006), with the improved gearing ratio resulting from the company's successful launch of a hybrid equity instrument (Nufarm Step-up Securities) in late 2006, and the associated repayment of the Capital Notes related debt. Operating cash flow at January 31 reflects the build up in working capital normally associated with the first half, as well as the lower trading profit.



Review of operations

Crop Protection

First half sales in Australia were down by some 25% on the corresponding period last year, reflecting severe drought conditions in the major cropping regions.

Dry conditions in the August to October period saw markedly reduced demand for post emergent herbicides and fungicides into last year's broadacre crops and it has been estimated¹ that summer cropping activity (October to January) has been the lowest in some 20 years, following a dry spring and summer in southern Queensland, northern New South Wales and the Riverina district. Sales into sorghum, cotton and rice were severely impacted with substantial reductions in the area planted to those crops.

With competition intense for the few selling opportunities that did exist, margins were placed under pressure.

Some rain activity in January generated above budget sales for that month and a more encouraging lead-in to the second half of the year.

New Zealand crop protection sales were impacted by a difficult operating environment due to a cold, wet spring which impeded cropping activity and a high exchange rate which depressed farmer confidence. The profit contribution from New Zealand was also lower due to the divestment, in July of 2006, of the Auckland based animal health manufacturing business.

Asian sales were more than 10% ahead of last year. An improved profit contribution from the Indonesian business also helped lift overall profitability for the region.

First half sales in North America were up 10% on the corresponding period last year, with similar growth achieved in both Canada and the USA. The US business is very well positioned with distribution and early sales of newly launched products – including imidacloprid – are very encouraging. There was some margin pressure on glyphosate products due to supply related cost increases but it is expected that these increased costs can be passed through over the balance of the year.

The US turf market performed strongly in the first half, with sales of imidacloprid products and value added phenoxy formulations to distribution in anticipation of an early spring selling season.

Nufarm achieved top line growth in Canada, where a closer alignment with US pricing and strong competition for increased market shares is continuing to drive a decline in the overall value of the crop protection market.

The main selling season was very positive for Nufarm in Argentina with good growing conditions and higher margins on key products, compared to last year. The portfolio diversification strategy has paid dividends as Nufarm introduces new products and formulations to generate a positive return.

¹ **ABARE, Australian crop report, February 20, 2007**



Small gains were made in Chile in the first half with the product portfolio well positioned with key distribution in the intensive crop (tree, nuts, vines and vegetables) segment. Significant delays in regulatory approvals have been detrimental to Nufarm's ability to launch new products.

In Colombia, strong sales growth was driven by the initial full first half contribution from the Agrogen acquisition, completed in December 2005.

Seasonal conditions in Europe were more favourable than in the same period last year, when much of Europe experienced a long and severe winter. Total European sales for the first half were some 13% higher than in 2006.

The launch of the first of a number of new products in Germany boosted Autumn sales in that market. Sales into the Benelux countries were also strong and there was excellent revenue growth in central European markets including Poland, the Czech Republic, Hungary and Romania, where a new Nufarm office was established in October of last year.

Sales in France, the UK and Spain/Portugal were also up on the previous period.

In September 2006, Nufarm acquired Agrosol SRL, a family owned business based in Ravenna in North Eastern Italy. Agrosol owns 130 product registrations and has a pipeline of new products scheduled to be approved in coming years. The product portfolio is predominantly fungicides and insecticides, with annual sales totalling €6.5 million at the time of acquisition.

Agripec

Nufarm's 49.9% interest in Brazilian crop protection company Agripec generated an equity accounted contribution of \$13.7 million for the six months to end January 2007. This compares with a contribution from Agripec of \$18.3 million for the same period last year.

Agripec's full year (2006 calendar year) sales were down 17% on the previous year (measured in local currency). Industry estimates suggest total crop protection sales in Brazil decreased by approximately 15% in 2006, with pricing and margins also down on the previous calendar year. Currency impacts resulted in a significant tightening of credit in the Brazilian farm sector, particularly in the first half of 2006. Agricultural input companies took measures to increase security on payments, including the discounting of receivables and retrieving product from distribution.

Brazil experienced generally positive seasonal conditions in the major cropping period (October to February). While soybean hectares were down on the previous year, improved yields will drive an increase in total productivity. The Brazilian currency remained strong relative to the US dollar, but it was more stable than in previous periods and this assisted growers in their planning. An improved position for soft commodity prices, including soybean, also helped to boost confidence in the farm sector.

Agripec continued to be cautious with respect to payment exposure, with certain distribution customers being limited on sales.



The period to end January saw the launch of several new Agripec products in segments other than soybean, continuing the company's diversification strategy.

Given the continuation of a more stable farm economy in Brazil, Agripec is expected to generate a full year contribution to Nufarm approximately in line with the net profit recorded at the half year (\$13.7 million).

In the second half of the 2006 financial year, payment related issues contributed to a second half loss in contribution to Nufarm of almost \$10 million. The longer term outlook in Brazil is also now more positive, with higher incomes being generated for growers and forecasts of larger plantings for soybean and other crops. Approaching the 'collections' period in the current half, there is a much higher degree of certainty relating to payment.

Chlor alkali business

Sales and profit from the company's two chlor alkali plants (80% owned) in Western Australia were in line with the previous period.

As previously announced, Nufarm's interest in these assets has been sold (effective July 31, 2007) and, accordingly, they are reported as 'discontinued businesses' in the half year accounts.

Divestments / non operating items

The net impact of one-off items, at January 31, is a gain of \$2.0 million. The major abnormal gain was profit on the sale of a formulation and warehouse operation in Spain.

Outlook

Approaching the company's busiest sales period, conditions look generally positive for a strong business performance in the second six months of the current financial year.

Seasonal conditions in Australia have improved, with recent rains in some cropping regions providing increased confidence and strong planting intentions. Sales activity has accelerated since January and the company is ideally placed to take advantage of any 'rebound' in demand. Conditions will need to continue to be positive for Nufarm's Australian businesses to achieve target results for the full year.

The company continues to invest in developing a position in seeds in Australia. Drought impacts in the first half have negatively impacted seed production of new varieties and this business is forecast to make a small loss for the full year.

A buoyant US agriculture sector and increased selling opportunities resulting from a broader product range should see Nufarm's North American business again generate strong sales growth. Increased input costs – in particular those associated with glyphosate – will need to be carefully managed to ensure margins are maintained.



Business conditions in Brazil continue to improve and the full year equity accounted contribution from Agripec is expected to be approximately in line with the contribution booked at the half year.

The European businesses are also well placed to capitalise on positive seasonal conditions and expansion of the product portfolio.

Directors believe the company remains on target to meet previous headline profit guidance of approximately \$160 million for the 2007 financial year. This will include a profit on the sale of the chlor alkali interests of some \$24 million and net profit from operations in the order of \$136 million (including the interest related benefit of the new step up securities).

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