Nufarm Limited ACN 091 323 312
103-105 Pipe Road, Laverton North, VIC Australia 3026
Telephone: (03) 9282 1000 Facsimile: (03) 9282 1111
Postal Address: PO Box 103, Laverton, VIC Australia 3028

Report to Shareholders
6 months ended January 31, 2009

March 31, 2009

Nufarm reports a first half operating profit of $65.2m and reaffirms full year earnings guidance

Nufarm Limited generated a net operating profit after tax of $65.2 million for the six months ending January 31, 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.

After accounting for non-operating items (2009 1H: Net gain of $0.5m; 2008 1H: Net loss of $30.8m), the headline after tax profit was $65.7 million (2008 1H: $4.6 million).

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

Group sales were up by 25% to $1.24 billion, with 28% of first half revenues generated in Australasia (2008 1H: 37%); 20% in Europe (19%); 29% in North America (19%); and 23% in South America (25%).

Earnings per share were 30.5 cents, compared to a loss of 1.6 cents per share, for the six months to January 31, 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 May 8, 2009 to all holders of ordinary shares in the company as of April 17, 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% 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 January 31, the gearing level (net debt to shareholders’ funds) was 106% (95% at January 31, 2008). This is expected to be in a range of 50% to 55% by the end of the company’s financial year on July 31 as high inventory levels are reduced during the April to July peak sales period.

Nufarm

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 whilst not due for renewal until 2010, have recorded an unrealised loss of $16.3m. 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 whilst 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 result in a material impact on the forecast Group results at July 31.

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 17% down 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 NSW 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 1H: $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% with excellent sales growth achieved in both the US and Canada. A stronger US dollar resulted in a positive impact when both revenues and earnings were translated into Australian dollars.

The US business generated sales growth of more than 50% 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% 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; reduced sales in major segments such as soybean and corn – where overall plantings were down on the previous year - and discounted prices 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.

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 considerably down.

Europe

European sales increased by 39% (2009 1H: $255 million v 2008 1H: $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 glyphosate, and a range of other herbicides seeing strong demand.

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% 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 $870m. Adjusting for current exchange rates and the AH Marks and Etigra acquisitions this number rises to $1b. At January 31, 2009 total working capital was $1,560 million. Inventories have grown from $671 million to $1,317 million at January 31, 2009, reflecting both the AH Marks and Etigra acquisitions and the additional glyphosate stock purchased prior to the end of the July, 2008 of $354 million 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 $1,031 million. 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 50-55% range advised with previous company guidance.

Non operating items

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

The net gain is made up of an unrealised foreign exchange gain relating to the company's step up securities (NSS) of $9.4m. 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 $6.7m and $2.2m 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% 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 so as to achieve efficiency and productivity gains.

The UK Competition Commission published its final report in February on a review of the competition impacts relating to Nufarm's acquisition of the UK based phenoxy herbicides business, AH Marks Ltd. 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 NSW 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 impact 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 Etigra 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.

Nufarm

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 at July 31 of approximately $220 million which is within the range of previous guidance.

-- end --

Further information: Corporate Affairs
☎ (61 3) 9282 1177