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Report to Shareholders
6 months ended January 31, 2008

March 27, 2008

Nufarm reports substantial increase in sales and operating profit

Nufarm Limited generated a tax paid operating profit of $35.4 million for the six months ending January 31, 2008. This compares with a net operating profit of $7.5 million (from continuing operations) in the first half of the previous year.

After accounting for non-operating items (2008 1H: Net loss of $30.8m; 2007 1H: Net gain of $3.9m), the headline after tax profit was $4.6 million (2007 1H: $15.9 million).

Group sales were $990 million, up by 71% from $580 million. The first half sales of Nufarm's Brazilian operations (Agripec) were consolidated for the first time after that business was fully acquired by the company in May 2007. If Agripec sales had been consolidated in the first half of the 2007 financial year, 2008 first half sales increased by 31%.

37% of first half revenues were generated in Australasia; 19% in Europe; 19% in North America; and 25% in South America.

Operating earnings before interest and tax (EBIT) was $82.3 million, a substantial increase on the $28.4 million recorded in the first six months of the previous year.

All of Nufarm's regional crop protection businesses recorded stronger results on both a sales and operating EBIT basis (as disclosed in segment reporting note 7 in the half year accounts). Of particular note was the significantly improved result from the Australian operations and the higher earnings contribution from the fully owned Brazilian business.

Earnings per share were (1.6) cents, compared to 9.3 cents for the six months to January 31, 2007. Excluding the impact of non-operating items, earnings per share were 16.4 cents, compared to 8.1 cents for the previous six months.

The Nufarm Board has approved a fully franked interim dividend of 12 cents – up from 11 cents last year – to be paid on May 2, 2008 to all holders of ordinary shares in the company as of April 11, 2008.

The increasing global diversification of the group will, in future, impact on the availability of franking credits. At this time it is estimated that the final dividend in respect of the 2008 financial year can be fully franked. The Board will review its dividend policy at the relevant time when considering the capacity to frank dividends.

Gearing (net debt to shareholders' funds) increased from 70% (January 31, 2007) to 95% at the end of January, 2008. This reflected the additional debt associated with the acquisition of the balance of Agripec (completed in August, 2007), together with the consolidation impact of operating debt within the Agripec business. The gearing level at financial year end is forecast to be in a range of 50% - 55%.

Net working capital increased from $731.4 million to $870.5 million. Excluding working capital associated with Agripec ($217.8 million), there was a $78.7 million working capital reduction across the balance of the group.

Excluding the additional debt associated with the Agripec acquisition, net debt fell by $46 million as a result of the reduction in working capital.

Review of operations

Australasia

Australian sales were up by some 60% on the badly drought affected first half of 2007.

After a slow first quarter, widespread rains in Queensland and New South Wales during December and January saw demand for crop protection products increase sharply as growers sought to take advantage of both summer cropping conditions and crop prices that were markedly better than in the previous year.

A change in rainfall patterns across Eastern States helped boost confidence in the Australian agriculture sector and this helped drive strong and relatively early demand for a range of key Nufarm products.

Glyphosate sales, in particular, were very strong – a trend that was repeated in most regional markets around the world – as it became apparent that global demand for glyphosate is running ahead of current manufacturing capacity. While Nufarm experienced substantial increases in its glyphosate-related costs, these were able to be recovered through stronger pricing.

New Zealand sales were slightly ahead of budget for the half year and 20% up on the previous year.

Asian sales were also up strongly on the previous year with the Indonesian business showing good growth and both Malaysia and Japan posting stronger profit performances.

On a segment reporting basis, Australasian sales were $365 million (2007 1H: $237 million), with segment profit increasing to $49.2 million from $22.5 million in the previous corresponding period (pcp).

North America

North American regional sales were up by 34% with the company's USA business again generating very strong growth in both sales and profit.

The US market for agricultural inputs has seen significant expansion and growth in value over the past 18 months. The corn, soybean and wheat segments – in which Nufarm products have good positions – have seen continued growth, with the business also able to capitalise on a broader product portfolio and subsequent opportunities in a range of other crop segments.

Market confidence resulted in some early purchasing from US distribution, particularly glyphosate and phenoxy herbicides. As the season progresses, the extent of that early buying activity will be able to be fully determined.

Canada also saw significant optimism at grower and distributor levels due to the buoyancy in cereal grain and canola commodity markets. Nufarm Canada introduced several new products during the first half of the year as a result of commercial collaborations with both Syngenta and Dow AgroSciences.

South America

Segment revenues in South America were $250.9 million in the first half of the year. This is the first reporting period in which the Brazilian/Agripec sales have been consolidated, following the acquisition of the balance of that business in May of 2007. The segment profit contribution was $48.4 million.

Unlike Nufarm's other regional markets, South America produces its strongest sales and profit contribution in the company's first six months of the financial year.

Agripec generated record net sales in local currency of 344 million reais for the August to January period (2007 first half net sales: 288 million reais). Industry data indicates the Brazilian crop protection market grew strongly in the 2007 calendar year, with total sales up by some 35% to US$5.3 billion. Agripec sales increased by almost 40% over the same period.

The growth in the Brazilian market indicates a strong recovery from credit related impacts over the previous two years and has been driven by rising prices for most agricultural commodities. Increased plantings of sugar cane, corn, soybean and cotton resulted in additional demand for crop protection products.

Increased Agripec sales of herbicides into the corn segment; herbicides and fungicides into soybeans; and insecticides and herbicides into cotton combined to produce the overall record sales result.

Agripec generated a first half operating EBIT of $47 million. The equity accounted contribution in the first half of 2007 – when Nufarm owned 49.9% of the business – was $13.7 million.

First half sales in Argentina increased by almost 15%, with excellent growth in profit margins reflecting an expanded product range and enhanced distribution relationships.

Europe

European sales increased by some 13%. While reported segment profit was down on the previous half, the 2007 interim profit included the non-operating gain associated with the sale of a facility in Spain. Excluding that impact, the European profit contribution improved on an operating basis.

Strong growth in cereal fungicide and herbicide sales in France; an expansion of cereal acreage in Italy; and increased demand for glyphosate in all markets were key contributors to the improved result. Despite a continuation of drought conditions in parts of Spain, the Nufarm business grew sales and market share. Sales in Germany were up by more than 15% and the company continues to build strongly on its presence in Eastern Europe, with results in Romania, Poland and the Ukraine benefiting from additional product registrations.

Nufarm's European based manufacturing plants operated at full capacity to meet anticipated demand in the second-half based major selling season.

Non operating items

The net impact of non operating items at January 31 was a loss of $30.8 million. This compares with a net gain of $3.9 million in the previous year.

An after tax loss of $22.6 million associated with a barter trade contract in Brazil was the major non-operating item. This contract has been closed out and no related additional potential liabilities will result.

There was also a net non-cash foreign exchange loss of $7.6 million relating to the company's Step-up Securities (NSS). 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.

Subsequent events

On March 5, 2008, Nufarm announced that it had acquired AH Marks Holdings Limited, a UK based manufacturer and supplier of phenoxy herbicides.

The total purchase price for AH Marks was £74.6 million, consisting of cash consideration of £46.5 million with £28.1 million in assumed debt. AH Marks is expected to contribute just over $1 million in net profit in Nufarm's current financial year, increasing next financial year to some $13.4 million as anticipated synergies are achieved.

This acquisition will expand Nufarm's production capacity; enhance the company's product development opportunities; strengthen the global regulatory position on phenoxy herbicides; and extend important supply relationships with other major companies.

The company also announced that it proposed to acquire certain assets of Etigra LLC, a US based supplier of crop protection products currently focused on the turf and specialty segments. Nufarm intends to acquire certain assets and business from Etigra for US$69 million, with completion expected within the next month.

The proposed acquisition is forecast to generate approximately $4 million in additional net profit after tax in Nufarm's current financial year, increasing to approximately $11.3 million in its first full year of ownership.

A capital raising, involving the placement of new shares to institutional investors, was undertaken on March 5 and raised $200 million. The placement price per share was $15.10. The placement proceeds will be used primarily to fund the acquisitions of AH Marks and the Etigra business.

A Share Purchase Plan (SPP) has also been made available to retail shareholders of Nufarm who are each being offered the opportunity to purchase shares at the placement price up to a total value of $5,000. The SPP is proposed to be capped at $25 million in total proceeds.

Outlook

The outlook for the remainder of Nufarm's 2008 financial year is positive, with global agricultural markets showing strong demand for crop protection products as the company's Australian, North American and European businesses approach the major sales months.

Crop plantings in all markets are expected to be very strong, driven by soaring global demand for grains and other agricultural commodities and near record crop prices. As always, climatic conditions will determine to what extent growers can take advantage of these very positive conditions.

Given adequate rains over the next few months, Australia is poised to show a very strong recovery from recent drought affected seasons with forecasts for a large winter crop planting. Nufarm's leadership position in Australia makes it ideally placed to capitalise on the anticipated increase in demand, with its core product positions in glyphosate and phenoxy herbicides expected to drive an excellent full year result.

While some first half sales in the US represent early purchasing patterns, Nufarm is also in an excellent position in that market to capitalise on its product positions in the second half. The continued introduction of important new products is opening up additional sales opportunities in the US.

Additional product introductions in most European markets will also help those businesses post strong results for the full year.

Following the announcement of the AH Marks and Etigra acquisition, the company has upgraded its full year net operating profit guidance to $150 million (previously $145 million). This guidance will be kept under review over coming months as the impact of seasonal and related business conditions become more apparent in key markets around the world.

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