



**NEWS RELEASE
& Q2 INTERIM REPORT
*FOR IMMEDIATE RELEASE***

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**Agrium's earnings exceed
previous record by 60 percent**

**ALL AMOUNTS ARE IN US\$, UNLESS
OTHERWISE STATED**

Contact us at: www.agrium.com

CALGARY, Alberta -- Agrium Inc. (TSX and NYSE: AGU) announced today its highest ever quarterly earnings, with net earnings for the second quarter of 2007 of \$229-million (\$1.70 diluted earnings per share), a more than 60 percent increase over net earnings of \$142-million (\$1.06 diluted earnings per share) for the same period in 2006. Net earnings for the first six months of the year were a record \$218-million (\$1.63 diluted earnings per share), more than double 2006 net earnings of \$94-million (\$0.71 diluted earnings per share) for the same period in 2006.

“Agrium’s record second quarter earnings were due to excellent results from all three of our strategic business units. This quarter is a reflection of both the earnings power and future potential for these businesses and we remain committed to our strategy of further diversifying and growing our businesses and products,” said Mike Wilson, Agrium President and CEO.

“Results from our Retail operations reflect the synergies we captured from our 2006 Royster-Clark acquisition, as well as the strong agricultural fundamentals. Our Wholesale operations had their best ever quarter with record or near record margins across all product lines. Our Advanced Technologies results doubled on the strength of our ESN sales combined with our recent growth initiatives,” continued Mr. Wilson.

Agrium expects the outlook for the second half of the year to continue to be robust with a positive outlook for farm incomes, crop input demand and continued strength in the nutrient markets benefiting our Wholesale businesses in particular. We expect our Retail operations to realize the remainder of the Royster-Clark synergies in the second half of the year when the majority of crop protection rebates are recorded. Advanced Technologies operations should continue to perform well as growers look to our environmentally smart nitrogen (ESN) product as an alternative to urea ammonium nitrate (UAN) solutions. We intend to provide earnings guidance for the second half of the year upon releasing our third quarter earnings.

HIGHLIGHTS & KEY DEVELOPMENTS

Total EBITDA for the second quarter of 2007 increased 59 percent to \$405-million. Second quarter earnings included a foreign exchange gain of \$12-million (after tax), and stock-based compensation expense of \$8-million (after tax). Net sales, EBIT and EBITDA increased for all three of our business units: Retail, Wholesale and Advanced Technologies, as we realized the benefits of our recent growth initiatives, combined with strong industry fundamentals. We generated \$83-million in cash from operations in the quarter.

- Retail EBIT increased 45 percent or \$44-million to reach \$142-million in the second quarter of 2007 due to a combination of fertilizer inventory appreciation, realizing synergies from the Royster-Clark acquisition and strong market conditions. In late May we also further expanded our retail operations with the acquisition of retail outlets in Kansas and Oklahoma.
- Wholesale EBIT increased by \$100-million to \$232-million in the second quarter of 2007 as prices and margins for virtually all products rose relative to both the prior year and to the first quarter of 2007. International sales volumes will be impacted in the third quarter, as the coldest Argentine winter in almost 50 years resulted in gas supply disruptions at our Profertil facility. Construction of our Egyptian nitrogen facility commenced in the quarter. As well, we concluded a 15-year off-take agreement to market nitrogen products to be produced at the Faustina, LA gasification facility.
- Advanced Technologies EBIT more than doubled to \$7-million in the second quarter of 2007 relative to the prior year. This increase was largely due to increased sales of controlled release products as a result of higher ESN sales and the addition of the Pursell Technologies product line which was acquired in August 2006. The market value of our investment in Hanfeng Evergreen Inc. (acquired for C\$74-million in April 2007) was approximately C\$155-million as of the close of trading on August 3, 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 8, 2007

The following interim management's discussion and analysis (MD&A) updates our annual MD&A included in our 2006 Annual Report to Shareholders, to which our readers are referred. No update is provided where an item is not material or there has been no material change from the discussion in our annual MD&A.

2007 Second Quarter Operating Results

NET EARNINGS

Agrium's second quarter consolidated net earnings were \$229-million, or \$1.70 diluted earnings per share, compared to earnings of \$142-million, or \$1.06 diluted earnings per share, for the same quarter of 2006. EBIT was \$363-million for the second quarter of 2007 versus EBIT of \$210-million for the second quarter of 2006. This improved EBIT performance was comprised of an increase in gross profit of \$175-million net of an increase in operating expenses of \$22-million.

Gross profit in the second quarter of 2007 was \$572-million compared to \$397-million in the second quarter of 2006. Strong crop prices drove increased retail crop input demand contributing to a \$64-million increase in gross profit in our Retail business segment as sales and margins for fertilizer, chemical and seed all showed growth over the comparative period. Higher selling prices for all three nutrients, combined with increased domestic and international potash volumes, contributed to a record gross profit of \$277-million in our Wholesale business segment, an increase of \$103-million over the same quarter in 2006. Our Advanced Technologies business segment contributed an additional \$13-million to our quarter-over-quarter gross profit increase.

The increase in second quarter 2007 operating expenses reflects a combination of the following items:

- \$12-million increase in foreign exchange gain to \$17-million primarily caused by unrealized foreign exchange gains on U.S. dollar denominated liabilities in our Canadian operations due to the strengthening of the Canadian dollar;
- \$9-million increase in stock-based compensation expense to \$12-million due to a significant increase in our share price;
- \$16-million increase in Retail's selling expenses to \$119-million primarily as a result of increased sales activity; and,
- \$9-million increase in expenses in Advanced Technologies to \$11-million due to increased volume of sales activity resulting from our third quarter 2006 acquisition of Pursell Technologies.

FINANCIAL POSITION AND LIQUIDITY

At June 30, 2007, our net bank indebtedness was \$95-million compared to net cash on hand of \$43-million at June 30, 2006. The change in our cash position since the second quarter of 2006 reflects our continued commitment to our growth strategy through our acquisitions of Pursell Technologies, an equity interest in Hanfeng Evergreen Inc. (Hanfeng), retail outlets from Archer Daniels Midland (ADM), prepaid construction costs related to our nitrogen facility in Egypt, as well as continued investment in our base businesses.

Operating activities including the effect of changes in non-cash working capital provided cash flow of \$83-million in the second quarter of 2007, compared to \$150-million for the same quarter of 2006. Non-cash working capital was primarily affected by an increase in accounts receivable resulting from the late start of the spring fertilizer application season and stronger than normal sales activity late in the quarter. These receivables are expected to be collected in the third quarter. The increase in accounts receivable relating to sales activity was partially offset by a \$52-million increase in our accounts receivable securitization facility. As at June 30, 2007, we had sold \$184-million under the securitization facility compared to \$132-million at June 30, 2006.

The 2007 annual tax rate is anticipated to be 34 percent, a three percent increase from previous estimates. This is due to foreign exchange gains for Canadian tax purposes on our U.S. dollar denominated debt resulting from the recent significant increase in the value of the Canadian dollar and to a greater proportion of our earnings coming from higher tax regions.

BUSINESS SEGMENT PERFORMANCE

Retail

Retail's second quarter net sales were \$1,147-million compared to \$969-million in the second quarter of 2006. Gross profit was \$278-million, a \$64-million increase over the \$214-million gross profit earned in the same quarter last year. EBIT was \$142-million compared to 2006 second quarter EBIT of \$98-million. During the quarter, we acquired retail outlets from ADM, which contributed \$35-million and \$5-million in net sales and gross profit, respectively.

The increase in net sales and gross profit in the second quarter of 2007 versus the same quarter of 2006 was attributed to:

- Fertilizer sales increased \$139-million and gross profit increased \$50-million to \$658-million and \$159-million, respectively, due to increases in both volumes and sales prices. Volumes increased due to both strong crop prices creating higher fertilizer demand as our customers expanded corn acreage seeking to maximize yields, and incremental sales volumes from our newly acquired retail outlets. Fertilizer margins improved significantly to 24 percent in the second quarter of 2007, from 21 percent in the second quarter of 2006, primarily as a result of inventory appreciation and Royster-Clark synergies.
- Chemical sales increased \$6-million and gross profit increased \$5-million to \$291-million and \$52-million, respectively. Increased sales were largely due to our newly acquired ADM retail outlets. The higher gross profit was primarily due to improved chemical margins in locations acquired from Royster-Clark in 2006, where expected synergies have begun to be realized. Chemical margins were 18 percent for the second quarter of 2007 versus 16 percent for the second quarter of 2006.
- Seed sales increased \$17-million and gross profit increased \$3-million to \$131-million and \$15-million, respectively, reflecting a shift in sales mix to higher priced corn seed from lower priced soybean seed, consistent with our customers' expanded corn acreage.

Retail expenses increased by \$20-million to \$136-million primarily due to higher selling expenses associated with the increase in sales and the addition of retail outlets from the ADM acquisition. Selling expenses as a percentage of net sales were approximately 10 percent, which was consistent with the second quarter of 2006.

Wholesale

Wholesale second quarter net sales were \$890-million compared to \$861-million in the second quarter of 2006. Gross profit increased by \$103-million to \$277-million compared to \$174-million in the same quarter last year. EBIT was \$232-million, an increase of \$100-million over the second quarter 2006 EBIT of \$132-million.

The increase in net sales and gross profit in the second quarter of 2007 versus the same quarter of 2006 was attributed to:

- Nitrogen sales increased \$62-million and gross profit increased \$69-million, to \$556-million and \$185-million, respectively. Gross profit for domestic nitrogen increased \$77-million, primarily due to higher selling prices. In addition, cost of product sold for domestic nitrogen was lower as sales during the second quarter of 2007 benefited from lower cost inventory built through the first quarter of 2007 compared with higher gas costs in the comparative period. International gross profit decreased \$8-million due to both lower sales volumes and higher product costs as a result of decreased production at our Kenai and Profertil plants. In 2007, Kenai began production in May (59 operating days in the quarter) versus a full quarter's operations (92 days) in 2006. Profertil production was negatively affected by 19 days of downtime in May and June of 2007 due to gas supply interruptions resulting from cold weather in Argentina.
- Potash sales increased \$28-million and gross profit increased \$15-million, to \$95-million and \$51-million, respectively, primarily as a result of increased sales volumes. Second quarter international sales prices increased, while volumes more than doubled those achieved in the comparative period as the prior year's sales were adversely affected by extended negotiations with China. Domestic sales volumes and prices were also higher than 2006 due to strong domestic demand.
- Phosphate sales increased \$23-million and gross profit increased \$21-million, to \$145-million and \$35-million, respectively. Higher selling prices were offset by lower sales volumes, with product availability limited due in part to continued rail service disruptions. In addition, margins were impacted by higher cost of product, primarily as a result of the stronger Canadian dollar and the purchase of higher-cost Moroccan phosphate rock for our Redwater plant to supplement rock from our Kapuskasing mine.
- While results for all three produced nutrients were significantly higher in the second quarter of 2007 versus the comparative period, sales for product purchased for resale decreased \$84-million, although gross profit was only \$2-million lower. A decrease in volumes was largely offset by higher margins as we focused on higher value sales.

Agrium's overall natural gas cost for product produced in the second quarter of 2007 was \$5.76/MMBtu compared to \$5.15/MMBtu for the same quarter of 2006, due mostly to higher gas costs at our international facilities. The U.S. benchmark (NYMEX) natural gas price for the second quarter of 2007 was \$7.56/MMBtu, with the AECO (Alberta) basis differential averaging \$0.90/MMBtu lower than NYMEX. Effective July 1, 2007, we ceased designating natural gas derivatives as cash flow hedges for accounting purposes. This decision was made to allow for a more effective implementation of our hedging strategy. It also avoids the risk of periodically losing qualifying hedge accounting treatment, resulting from the increasing complexity in hedge accounting rules. All existing hedge positions at July 1, 2007 have been de-designated as cash flow hedges for accounting purposes and, as a result, all future realized and unrealized gains or losses related to these positions, as well as any new natural gas derivatives entered into since July 1, 2007, will now be recognized in Other Expense.

During the second quarter of 2007, we began construction of a major nitrogen facility located in Damietta, Egypt through our 60 percent owned EAgrium subsidiary. The results of our interest in EAgrium are fully consolidated with our Wholesale business unit. Included in non-controlling interest is the proportion of operating results and equity related to the 40 percent interest held in EAgrium by our project partners.

Advanced Technologies

Advanced Technologies' second quarter 2007 sales were \$81-million compared to \$24-million in the second quarter of 2006. Gross profit was \$18-million in the second quarter of 2007, or \$13-million higher than the second quarter of 2006. EBIT was \$7-million versus \$3-million for the comparative period. These increases were primarily due to higher volume of sales activity resulting from our third quarter 2006 acquisition of Pursell Technologies and growth of the ESN business.

Other

EBIT for our Other non-operating business segment for the second quarter of 2007 was a loss of \$18-million compared to a loss of \$23-million for the same period last year. Stock-based compensation costs recorded in our Other business segment increased by \$7-million, which was offset by a \$12-million unrealized gain on U.S. dollar denominated liabilities in this business segment due to the strengthening of the Canadian dollar in the second quarter of 2007.

NON-GAAP MEASURES

In the discussion of our performance for the quarter, in addition to the primary measures of earnings and earnings per share, we make reference to EBITDA (earnings before interest expense, income taxes, depreciation, amortization and asset impairment). We consider EBITDA to be a useful measure of performance because income tax jurisdictions and business segments are not synonymous and we believe that allocation of income tax charges distorts the comparability of historical performance for the different business segments. Similarly, financing and related interest charges cannot be allocated to all business segments on a basis that is meaningful for comparison with other companies.

EBITDA is not a recognized measure under GAAP, and our method of calculation may not be comparable to other companies. Similarly, EBITDA should not be used as an alternative to cash provided by (used in) operating activities as determined in accordance with GAAP.

OUTLOOK, KEY RISKS AND UNCERTAINTIES

The outlook for global and North American agricultural markets continues to be supported by rising global GDP levels as well as the rapid growth in demand for grain and oilseeds used for biofuel production. Corn prices have declined over the past month due to the 19 percent increase in U.S. corn acreage (to 92.9 million acres) and generally positive growing conditions, as well as higher forecasted corn production internationally. In contrast, wheat and soybean prices have increased over the past month due to an anticipated tightening in the outlook for these crops. Crop prices remain well above historic levels and North American growers are expected to benefit from strong incomes this year, although a large U.S. corn crop could result in lower corn prices and some switching back to soybeans and wheat in 2008. Strong crop yields should result in higher nutrient uptake levels and lower nutrient carryover levels in the soil, which in turn should support nutrient demand heading into the next crop year. A new U.S. Farm Bill is expected to be introduced in late 2007 and will likely include reduced

farm program payments, however this is not expected to have a significant impact on crop input demand given the anticipated strength in farm incomes from the market place. Strong global oil prices combined with the potential for some moderation in crop prices is expected to continue to support the medium-term growth in demand for corn and sugar for ethanol production, in particular, and biofuels, in general.

We believe the nitrogen market remains generally balanced, however international urea prices have been under pressure due to increased Chinese exports, and Chinese exports will likely remain a key risk for 2007. North American urea producer inventories are roughly equal to last year.

The potash market is currently tight and industry analysts expect it to remain balanced to tight for the medium-term. North American producer inventory levels as of the end of June are more than 25 percent lower than the five-year average. The completion of mine expansions, particularly in North America, is expected to increase the supply of potash to the domestic and offshore markets over the next few years. Chinese negotiations for 2008 are a key uncertainty for potash markets.

The phosphate market continues to be firm due to strong global demand and U.S. production curtailments that have occurred over the past two years. U.S. phosphate producer inventories were down 30 percent at the end of June, 2007 versus the prior year. International demand remains firm partly due to strong purchasing from India, South America and Pakistan. The key risk for phosphates would include potential Chinese exports and, as for other nutrients, any unexpected reduction in the rate of future demand growth.

Forward-Looking Statements

Certain statements in this press release constitute forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties, including those referred to in the management discussion and analysis section of the Corporation's most recent annual report to shareholders, which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. A number of factors could cause actual results to differ materially from those in the forward-looking statements, including, but not limited to, weather conditions, crop prices, the future supply, demand, price level for our major products, future gas prices and availability in key markets, future operating rates and production costs at Agrium's facilities, the exchange rates for U.S., Canadian, Argentine, and the Euro currencies, domestic fertilizer consumption and any changes in government policy in key agriculture markets, including the application of price controls on fertilizers, the potential inability to integrate and obtain anticipated synergies for recent or new business acquisitions as planned or within the time predict, and changes to construction cost, timing of construction, performance of other parties, and political risks associated with our recently announced Egyptian nitrogen project. Agrium disclaims any intention or obligation to update or revise any forward-looking information as a result of new information or future events.

OTHER

Agrium Inc. is a major Retail supplier of agricultural products and services in North and South America, a leading global Wholesale producer and marketer of all three major agricultural nutrients and the premier supplier of specialty fertilizers in North America through our Advanced Technologies business unit. Agrium's strategy is to grow across the value chain through acquisition, incremental expansion of its existing operations and through the development, commercialization and marketing of new products and international opportunities. Our strategy places particular emphasis on growth opportunities that both increase and stabilize our earnings profile in the continuing transformation of Agrium.

A WEBSITE SIMULCAST of the 2007 2nd Quarter Conference Call will be available in a listen-only mode beginning Thursday, August 8th at 9:30 a.m. MT (11:30 a.m. ET). Please visit the following website: www.agrium.com

AGRIUM INC.
Consolidated Statements of Operations and Retained Earnings
(Millions of U.S. dollars, except per share information)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Sales	\$ 2,095	\$ 1,872	\$ 2,956	\$ 2,560
Direct freight	61	56	101	87
Net sales	2,034	1,816	2,855	2,473
Cost of product	1,462	1,419	2,095	1,944
Gross profit	572	397	760	529
Expenses				
Selling	125	110	225	188
General and administrative	34	25	56	46
Depreciation and amortization	42	45	84	84
Royalties and other taxes	10	7	19	12
Other (income) expenses (note 6)	(2)	-	13	53
	209	187	397	383
Earnings before interest expense and income taxes	363	210	363	146
Interest on long-term debt	13	11	26	20
Other interest	4	7	7	9
Earnings before income taxes	346	192	330	117
Current income taxes	64	55	60	51
Future income taxes (recovery)	53	(5)	52	(28)
Income taxes	117	50	112	23
Net earnings	229	142	218	94
Retained earnings – beginning of period	588	536	602	584
Common share dividends declared	(7)	(7)	(7)	(7)
Transition adjustment on adoption of new accounting standards (note 1)	-	-	(3)	-
Retained earnings – end of period	\$ 810	\$ 671	\$ 810	\$ 671
Earnings per share (note 7)				
Basic	\$ 1.71	\$ 1.08	\$ 1.63	\$ 0.71
Diluted	\$ 1.70	\$ 1.06	\$ 1.63	\$ 0.71

AGRIUM INC.
Consolidated Statements of Cash Flows
(Millions of U.S. dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Operating				
Net earnings	\$ 229	\$ 142	\$ 218	\$ 94
Items not affecting cash				
Depreciation and amortization	42	45	84	84
Future income taxes (recovery)	53	(5)	52	(28)
Other	7	15	18	50
Net change in non-cash working capital	(248)	(47)	(128)	(69)
Cash provided by operating activities	83	150	244	131
Investing				
Capital expenditures	(40)	(51)	(66)	(79)
Acquisitions, net of cash acquired	-	-	-	(560)
Investment in equity affiliate	(68)	-	(68)	-
(Increase) decrease in other assets	(11)	8	(8)	10
Proceeds from disposal of assets and investments	(1)	70	(1)	74
Other	-	(1)	-	(2)
Prepaid construction costs at Egypt facility	(153)	-	(153)	-
Cash (used in) provided by investing activities	(273)	26	(296)	(557)
Financing				
Common shares	-	3	8	20
Bank indebtedness (repayment)	126	(328)	(77)	13
Long-term debt issuance	-	296	-	296
Long-term debt repayment	-	(127)	-	(127)
Common share dividends paid	-	-	(7)	(7)
Issue of common shares by subsidiary to non – controlling interest	74	-	74	-
Cash provided by (used in) financing activities	200	(156)	(2)	195
Increase (decrease) in cash and cash equivalents	10	20	(54)	(231)
Cash and cash equivalents – beginning of period	45	49	109	300
Cash and cash equivalents – end of period	\$ 55	\$ 69	\$ 55	\$ 69

AGRIUM INC.
Consolidated Balance Sheets
(Millions of U.S. dollars)
(Unaudited)

	As at June 30,		As at December 31,
	2007	2006	2006
ASSETS			
Current assets			
Cash and cash equivalents	\$ 55	\$ 69	\$ 109
Accounts receivable	811	627	566
Inventories (note 3)	716	687	747
Prepaid expenses and deposits	215	52	137
	1,797	1,435	1,559
Property, plant and equipment	1,381	1,499	1,332
Intangible assets	73	30	75
Goodwill	180	129	174
Other assets	174	78	103
Future income tax assets	10	44	22
	\$ 3,615	\$ 3,215	\$ 3,265
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness	\$ 150	\$ 26	\$ 227
Accounts payable and accrued liabilities	769	660	732
Current portion of long-term debt	1	1	1
	920	687	960
Long-term debt	664	679	669
Other liabilities	267	281	265
Future income tax liabilities	188	246	131
	2,039	1,893	2,025
Non-controlling interest	81	5	7
Shareholders' equity	1,495	1,317	1,233
	\$ 3,615	\$ 3,215	\$ 3,265

AGRIUM INC.
Consolidated Statements of Shareholders' Equity
(Unaudited)

	Millions of shares	Millions of U.S. dollars				Total shareholders' equity
	Common shares	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income	
Balance as at December 31, 2006	133	\$ 617	\$ 5	\$ 602	\$ 9	\$ 1,233
Transition adjustments for net deferred gains on cash flow hedges (net of tax) (note 1)				(3)	5	2
Balance as at January 1, 2007	133	617	5	599	14	1,235
Net earnings				218		218
Unrealized gains on financial cash flow hedges (net of tax)					5	5
Unrealized losses on available for sale assets (net of tax)					(1)	(1)
Foreign currency translation adjustment					36	36
Comprehensive income						258
Common share dividends				(7)		(7)
Stock compensation exercise and grants	1	9				9
Balance as at June 30, 2007	134	\$ 626	\$ 5	\$ 810	\$ 54	\$ 1,495
Balance as at December 31, 2005	131	\$ 583	\$ 3	\$ 584	\$ 10	\$ 1,180
Net earnings				94		94
Foreign currency translation adjustment					28	28
Comprehensive income						122
Common share dividends				(7)		(7)
Stock compensation exercise and grants	1	21	1			22
Balance as at June 30, 2006	132	\$ 604	\$ 4	\$ 671	\$ 38	\$ 1,317

AGRIUM INC.
Summarized Notes to the Consolidated Financial Statements
For the six months ended June 30, 2007
(Millions of U.S. dollars, except per share amounts)
(Unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's accounting policies are in accordance with accounting principles generally accepted in Canada and are consistent with those outlined in the annual audited financial statements except where stated below. These interim consolidated financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2006. In management's opinion, the interim consolidated financial statements include all adjustments necessary to present fairly such information.

Certain comparative figures have been reclassified to conform to the current year's presentation.

Accounting Standards and Policy Changes Adopted During Reporting Periods

Description	Date and Method of Adoption	Impact
<i>Comprehensive Income</i> consists of net income and other comprehensive income (OCI). OCI represents changes in shareholders' equity during a period arising from transactions and other events with non-owner sources. The Corporation's OCI consists of unrealized gains or losses on translation of self-sustaining foreign operations and gains and losses and changes in the fair value of the effective portion of cash flow hedging instruments. OCI is presented net of related income taxes. Cumulative changes in OCI are included in accumulated other comprehensive income (AOCI), which is presented as a new category of shareholders' equity on the consolidated balance sheet. Cumulative translation adjustments (December 31, 2006-\$9-million) consisting of gains and losses on translation of self-sustaining foreign operations, previously segregated as a separate component of shareholders' equity, are now included in AOCI.	January 1, 2007; prospective	Material prospective impact

Financial Instruments – Recognition and Measurement. The new standards establish that all financial assets and financial liabilities must be initially recorded at fair value on the consolidated balance sheet. Subsequent measurement is determined by the classification of each financial asset and liability, according to the following categories:

Financial Instrument Classification	As Classified by Agrium	Subsequent Measurement of Gains or Losses at Each Period End
Assets or liabilities held for trading	Cash and cash equivalents; derivative financial instruments that are not cash flow hedges	Fair value; unrealized gains or losses recognized in net income
Available for sale financial assets	Other investments	Fair value; unrealized gains and losses recognized in OCI (except for excluded investments); recognized in net income on sale of the asset or when asset is written down as impaired
Held to maturity investments	None	Amortized cost using the effective interest rate method; if asset/liability is derecognized or asset is impaired, recognized in net income
Loans and receivables	Accounts receivable	
Other financial liabilities	Bank indebtedness, accounts payable, long-term debt	

For the Corporation, amortized cost generally corresponds to cost. Certain financial instruments are exempt from the standards, including specific long-term investments, assets and obligations arising from employee future benefit plans, and obligations relating to stock-based compensation. The Corporation's investments consist mainly of equity instruments that are excluded from the new standards. Equity instruments that do not have a quoted market price in an active market are measured at cost even if the instruments are classified as financial assets available for sale.

Certain deferred debt issuance costs previously reported in other assets have been reclassified prospectively and are now reported as a reduction of debt obligations.

All derivative instruments are recorded in the balance sheet at fair value unless exempted from derivative treatment as normal purchases and sales. Under the previous standards, derivatives that met the requirements for hedge accounting were generally recorded on an accrual basis.

AGRIUM INC.
Summarized Notes to the Consolidated Financial Statements
For the six months ended June 30, 2007
(Millions of U.S. dollars, except per share amounts)
(Unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Description	Date and Method of Adoption	Impact																				
<p><i>Hedges.</i> The standard establishes when and how hedge accounting may be applied, as well as certain disclosure requirements. The standard specifies three types of hedging relationships: fair value hedges, cash flow hedges, and hedges of a net investment in self-sustaining foreign operations. Application of hedge accounting is optional. The Corporation has elected to apply hedge accounting to certain derivative financial instruments consisting of gas and foreign exchange cash flow hedge contracts.</p> <p>Upon initial application of the above, all adjustments to the carrying amount of financial assets and liabilities were recognized as an adjustment to opening retained earnings or AOCI, depending on the classification of existing assets or liabilities. Transition adjustments relating to derivative contracts designated as cash flow hedges at January 1, 2007 include the following (millions of U.S. dollars):</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Balance sheet category</th> <th style="text-align: center;">Gross</th> <th style="text-align: center;">Income taxes</th> <th style="text-align: center;">Net</th> </tr> </thead> <tbody> <tr> <td>Retained earnings</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Ineffective portion of qualifying cash flow hedges</td> <td style="text-align: center;">\$ (4)</td> <td style="text-align: center;">\$ 1</td> <td style="text-align: center;">\$ (3)</td> </tr> <tr> <td>Accumulated other comprehensive income</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Unrealized gains on effective cash flow hedges</td> <td style="text-align: center;">\$ 8</td> <td style="text-align: center;">\$ (3)</td> <td style="text-align: center;">\$ 5</td> </tr> </tbody> </table>	Balance sheet category	Gross	Income taxes	Net	Retained earnings				Ineffective portion of qualifying cash flow hedges	\$ (4)	\$ 1	\$ (3)	Accumulated other comprehensive income				Unrealized gains on effective cash flow hedges	\$ 8	\$ (3)	\$ 5	January 1, 2007; prospective	See table below
Balance sheet category	Gross	Income taxes	Net																			
Retained earnings																						
Ineffective portion of qualifying cash flow hedges	\$ (4)	\$ 1	\$ (3)																			
Accumulated other comprehensive income																						
Unrealized gains on effective cash flow hedges	\$ 8	\$ (3)	\$ 5																			
<p><i>Stripping Costs Incurred in the Production Phase of a Mining Operation</i> requires that costs of removing overburden and mineral waste materials should be accounted for according to the benefit received by the entity and recorded as either a component of inventory or a betterment to the mineral property, depending on the benefit received.</p>	January 1, 2007; prospective	No material impact																				
<p><i>Changes in Accounting Policies, Estimates and Corrections of Errors</i> provides guidance as to the application of voluntary changes in accounting policy, and provides for retrospective application of changes in accounting policy and error.</p>	January 1, 2007; prospective	No material impact																				
<p><i>Determining Variability to be Considered in Consolidation of Variable Interest Entities</i> provides guidance in determining the application of accounting standards regarding consolidation of variable interest entities based on analysis of the design of the entity, including its purpose and the nature of risks in the entity.</p>	January 1, 2007; prospective	No material impact																				
<p><i>Income Taxes.</i> During the quarter, the Corporation changed its method of accounting for income taxes whereby a tax benefit will be recognized if it is more likely than not that the position would be sustained on examination. Previously, a tax benefit was recognized only when it was probable that the position would be sustained on examination. The Corporation believes that the threshold of "more likely than not" is more widely understood than "probable" and, consequently, the new Accounting Policy provides more reliable and relevant information.</p>	April 1, 2007; retrospective	No material impact																				

AGRIUM INC.
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(Unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Standards and Policy Changes Not Yet Implemented

Description	Date and Method of Adoption	Impact
<i>Financial Instruments - Disclosures, Financial Instruments – Presentation, and Capital Disclosures</i> , require the Corporation to provide additional disclosures relating to its financial instruments, including hedging instruments, and about its capital.	January 1, 2008; prospective	Currently being reviewed
<i>Accounting Policy Choice for Transaction Costs</i> requires the same accounting policy choice for all similar financial instruments or groups of financial instruments classified as other than held for trading.	July 1, 2007; retrospective	No material impact expected
<i>Inventories</i> establishes standards for the measurement and disclosure of inventories including guidance on the determination of cost.	January 1, 2008; retrospective	Currently being reviewed

2. ACQUISITION

In the second quarter of 2007, the Corporation finalized the allocation of fair value of net assets acquired from Pursell Technologies (“Pursell”). On August 8, 2006, the Corporation concluded the purchase of 100 percent of certain net assets and technologies of Pursell. The assets and technologies are primarily used in the production and sale of controlled-release fertilizer products. Earnings of Pursell from the date of acquisition are included in the consolidated statement of operations of the Corporation in the Advanced Technologies reporting segment. The final allocation of the fair value of the net assets acquired is summarized below:

Working capital	\$	6
Property, plant and equipment		12
Intangible assets subject to amortization		38
Other long-term assets		13
Goodwill		22
Total consideration	\$	91

3. INVENTORIES

	June 30, 2007	June 30, 2006	December 31, 2006
Raw materials	\$ 140	\$ 102	\$ 123
Finished goods	154	212	189
Product for resale	422	373	435
Total inventories	\$ 716	\$ 687	\$ 747

4. ACCOUNTS RECEIVABLE

At June 30, 2007, the Corporation had sold \$184-million (June 30, 2006 – \$132-million) under its accounts receivable securitization facility.

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5. EMPLOYEE FUTURE BENEFITS

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Pension plans				
Defined benefit				
Service cost	\$ 2	\$ 2	\$ 4	\$ 3
Interest cost	3	2	5	5
Expected return on plan assets	(3)	(2)	(5)	(4)
Amortization of actuarial losses	1	1	1	2
	<u>3</u>	<u>3</u>	<u>5</u>	<u>6</u>
Defined contribution	<u>3</u>	<u>3</u>	<u>9</u>	<u>9</u>
	<u>\$ 6</u>	<u>\$ 6</u>	<u>\$ 14</u>	<u>\$ 15</u>
Post-retirement benefit plans				
Service cost	\$ 1	\$ -	\$ 2	\$ 1
Interest cost	1	1	2	1
Amortization of actuarial losses	-	-	1	-
	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 2</u>
Total expense	<u>\$ 8</u>	<u>\$ 7</u>	<u>\$ 19</u>	<u>\$ 17</u>

Cash contributions to the defined benefit pension plans for the three and six months ended June 30, 2007 were nil and \$1-million, respectively (three and six months ended June 30, 2006 were nil and \$1-million, respectively).

6. OTHER (INCOME) EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Interest income	\$ (6)	\$ (2)	\$ (11)	\$ (5)
Stock-based compensation	12	3	40	9
Environmental remediation and accretion of asset retirement obligation	1	2	(8)	4
Net realized and unrealized (gain) loss on non-qualifying derivatives	(3)	(4)	(2)	39
Foreign exchange gain	(17)	(5)	(18)	(2)
Provision for doubtful accounts	4	3	6	4
Other	7	3	6	4
Total other (income) expenses	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 53</u>

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7. EARNINGS PER SHARE

The following table summarizes the computation of net earnings per share:

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Numerator:				
Net earnings and numerator for basic and diluted earnings per share	\$ 229	\$ 142	\$ 218	\$ 94
Denominator:				
Weighted average denominator for basic earnings per share	134	132	133	132
Dilutive instruments:				
Stock options (a)	1	1	1	1
Denominator for diluted earnings per share	135	133	134	133
Basic earnings per share	\$ 1.71	\$ 1.08	\$ 1.63	\$ 0.71
Diluted earnings per share	\$ 1.70	\$ 1.06	\$ 1.63	\$ 0.71

(a) For diluted earnings per share, these dilutive instruments are added back only when the impact of the instrument is dilutive to basic earnings per share.

There were 134 million common shares outstanding at June 30, 2007 (June 30, 2006 – 132 million). As at June 30, 2007, the Corporation has outstanding approximately four million (June 30, 2006 – five million) options and options with tandem stock appreciation rights to acquire common shares.

8. FINANCIAL INSTRUMENTS

The fair value of qualifying hedging derivative instruments is recorded as the estimated amount that the Corporation would receive (pay) to terminate the contracts. Fair values are determined based on quoted market prices available from active markets or are otherwise determined using a variety of valuation techniques and models. Fair value of natural gas and foreign exchange hedges was \$5-million (June 30, 2006 – \$27-million; December 31, 2006 – \$4-million) and nil (June 30, 2006 – \$3-million; December 31, 2006 – nil), respectively, at June 30, 2007.

The earnings impact of ineffectiveness recognized on derivative contracts designated as cash flow hedges recorded in cost of product during the three-month period ended June 30, 2007 was nil (June 30, 2006 – nil).

The estimated net amount of existing gains and losses reported in AOCI expected to be reclassified to net income in the next 12 months is \$2-million.

9. COMMITMENTS

The Corporation holds a 60 percent interest in a subsidiary which has entered into contractual obligations for the construction of a nitrogen facility and infrastructure in Egypt. Related commitments include a construction contract, financing, and a 25-year natural gas contract for the facility. Total planned construction and related costs are approximately \$1.2-billion. Construction is expected to be completed in 2010.

Exposure to foreign exchange rate fluctuations on Egypt facility construction costs denominated in foreign currency has been fixed through 2010 by purchase of derivative instruments. At June 30, 2007, the instruments had no carrying value or fair value.

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10. SEASONALITY

The fertilizer business is seasonal in nature. Sales are concentrated in the spring and fall planting seasons while produced inventories are accumulated throughout the year. Cash collections generally occur after the planting seasons in North and South America.

AGRIUM INC.
Segmentation
(Unaudited – millions of U.S. dollars)

Schedule 1

Three Months Ended June 30

	Retail		Wholesale		Advanced Technologies		Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Net sales - external	\$ 1,147	\$ 969	\$ 819	\$ 823	\$ 68	\$ 24	\$ -	\$ -	\$ 2,034	\$ 1,816
- inter-segment	-	-	71	38	13	-	(84)	(38)	-	-
Total net sales	1,147	969	890	861	81	24	(84)	(38)	2,034	1,816
Cost of product	869	755	613	687	63	19	(83)	(42)	1,462	1,419
Gross profit	278	214	277	174	18	5	(1)	4	572	397
Gross profit %	24%	22%	31%	20%	22%	21%	1%	(11%)	28%	22%
Selling Expenses	\$ 119	\$ 103	\$ 6	\$ 8	\$ 2	\$ 1	\$ (2)	\$ (2)	\$ 125	\$ 110
EBITDA ⁽¹⁾	\$ 150	\$ 106	\$ 261	\$ 167	\$ 10	\$ 4	\$ (16)	\$ (22)	\$ 405	\$ 255
EBIT ⁽²⁾	\$ 142	\$ 98	\$ 232	\$ 132	\$ 7	\$ 3	\$ (18)	\$ (23)	\$ 363	\$ 210

Six Months Ended June 30

	Retail		Wholesale		Advanced Technologies		Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Net sales - external	\$ 1,484	\$ 1,249	\$ 1,257	\$ 1,184	\$ 114	\$ 40	\$ -	\$ -	\$ 2,855	\$ 2,473
- inter-segment	-	-	117	56	19	-	(136)	(56)	-	-
Total net sales	1,484	1,249	1,374	1,240	133	40	(136)	(56)	2,855	2,473
Cost of product	1,121	969	1,001	1,004	104	32	(131)	(61)	2,095	1,944
Gross profit	363	280	373	236	29	8	(5)	5	760	529
Gross profit %	24%	22%	27%	19%	22%	20%	4%	(9%)	27%	21%
Selling Expenses	\$ 212	\$ 176	\$ 13	\$ 14	\$ 4	\$ 1	\$ (4)	\$ (3)	\$ 225	\$ 188
EBITDA ⁽¹⁾	\$ 137	\$ 97	\$ 353	\$ 175	\$ 18	\$ 6	\$ (61)	\$ (48)	\$ 447	\$ 230
EBIT ⁽²⁾	\$ 121	\$ 84	\$ 294	\$ 108	\$ 12	\$ 4	\$ (64)	\$ (50)	\$ 363	\$ 146

(1) Earnings (loss) before interest expense, income taxes, depreciation, amortization and asset impairment.

(2) Earnings (loss) before interest expense and income taxes.

AGRIUM INC.
Product Lines
Three Months Ended June 30,
(Unaudited – millions of U.S. dollars)

	2007						2006					
	Net Sales	Cost of Product Sold	Gross Profit	Sales Tonnes (000's)	Selling Price (\$/Tonne)	Margin (\$/Tonne)	Net Sales	Cost of Product Sold	Gross Profit	Sales Tonnes (000's)	Selling Price (\$/Tonne)	Margin (\$/Tonne)
Wholesale												
Nitrogen ⁽¹⁾												
Ammonia	\$ 189	\$ 140	\$ 49	465	\$ 406	\$ 105	\$ 174	\$ 140	\$ 34	461	\$ 377	\$ 74
Urea	216	124	92	619	349	149	224	163	61	789	284	77
Nitrate, Sulphate and Other	151	107	44	547	276	80	96	75	21	401	239	52
Total Nitrogen	556	371	185	1,631	341	113	494	378	116	1,651	299	70
Phosphate	145	110	35	335	433	104	122	108	14	377	324	37
Potash ⁽²⁾	95	44	51	535	178	95	67	31	36	377	178	95
Product Purchased for Resale	94	88	6	310	303	19	178	170	8	699	255	11
	890	613	277	2,811	317	99	861	687	174	3,104	277	56
Retail ⁽³⁾												
Fertilizers	658	499	159				519	410	109			
Chemicals	291	239	52				285	238	47			
Other	198	131	67				165	107	58			
	1,147	869	278				969	755	214			
Advanced Technologies												
Controlled Release Products	68	53	15				13	11	2			
Other	13	10	3				11	8	3			
	81	63	18				24	19	5			
Other inter-segment eliminations	(84)	(83)	(1)				(38)	(42)	4			
Total	\$ 2,034	\$ 1,462	\$ 572				\$ 1,816	\$ 1,419	\$ 397			

(1) International nitrogen sales were 260,000 tonnes (2006-428,000); net sales were \$74-million (2006-\$105-million) and gross profit was \$31-million (2006-\$39-million).

(2) International potash sales were 237,000 tonnes (2006-116,000); net sales were \$32-million (2006-\$15-million) and gross profit was \$17-million (2006-\$8-million).

(3) International retail net sales were \$60-million (2006-\$42-million) and gross profit was \$12-million (2006-\$8-million).

AGRIUM INC.
Product Lines
Six Months Ended June 30,
(Unaudited – millions of U.S. dollars)

	2007						2006					
	Net Sales	Cost of Product Sold	Gross Profit	Sales Tonnes (000's)	Selling Price (\$/Tonne)	Margin (\$/Tonne)	Net Sales	Cost of Product Sold	Gross Profit	Sales Tonnes (000's)	Selling Price (\$/Tonne)	Margin (\$/Tonne)
Wholesale												
Nitrogen⁽¹⁾												
Ammonia	\$ 244	\$ 189	\$ 55	629	\$ 388	\$ 87	\$ 242	\$ 204	\$ 38	641	\$ 378	\$ 59
Urea	346	217	129	1,045	331	123	330	248	82	1,160	284	71
Nitrate, Sulphate and Other	245	190	55	968	253	57	137	109	28	549	250	51
Total Nitrogen	835	596	239	2,642	316	90	709	561	148	2,350	302	63
Phosphate	219	174	45	532	412	85	170	151	19	522	326	36
Potash⁽²⁾	147	70	77	868	169	89	113	56	57	643	176	89
Product Purchased for Resale	173	161	12	571	303	21	248	236	12	953	270	13
	1,374	1,001	373	4,613	298	81	1,240	1,004	236	4,468	278	53
Retail⁽³⁾												
Fertilizers	859	655	204				669	528	141			
Chemicals	371	296	75				360	289	71			
Other	254	170	84				220	152	68			
	1,484	1,121	363				1,249	969	280			
Advanced Technologies												
Controlled Release Products	113	88	25				25	21	4			
Other	20	16	4				15	11	4			
	133	104	29				40	32	8			
Other inter-segment eliminations	(136)	(131)	(5)				(56)	(61)	5			
Total	\$ 2,855	\$ 2,095	\$ 760				\$ 2,473	\$ 1,944	\$ 529			

(1) International nitrogen sales were 368,000 tonnes (2006-672,000); net sales were \$105-million (2006-\$165-million) and gross profit was \$39-million (2006-\$62-million).

(2) International potash sales were 416,000 tonnes (2006-218,000); net sales were \$55-million (2006-\$28-million) and gross profit was \$31-million (2006-\$14-million).

(3) International retail net sales were \$77-million (2006-\$56-million) and gross profit was \$16-million (2006-\$10-million).