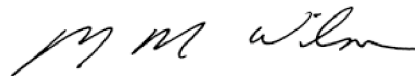


Management's report to the shareholders

The audited consolidated financial statements and all information contained in this annual report are the responsibility of management and the audited consolidated financial statements are approved by the Board of Directors of the Corporation. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgments based on currently available information. The Corporation has established an internal audit program and accounting and reporting systems supported by internal controls designed to safeguard assets from loss or unauthorized use and ensure the accuracy of the financial records. The financial information presented throughout this annual report is consistent with the financial statements. KPMG LLP, an independent firm of chartered accountants, has been appointed by the shareholders as external auditors of the Corporation. The Auditors' Report to the Shareholders, which describes the scope of their examination and expresses their opinion, is presented below.

The Audit Committee of the Board of Directors, whose members are unrelated and independent of management, meets at least four times a year with management, the internal auditors and the external auditors to oversee the discharge of the responsibilities of the respective parties. The Audit Committee reviews the independence of the external auditors, pre-approves audit and permitted non-audit services and reviews the consolidated financial statements and other financial disclosure documents before they are presented to the Board for approval.



Michael M. Wilson
President & Chief Executive Officer
Calgary, Canada
February 11, 2004



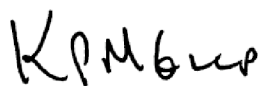
Bruce G. Waterman
*Senior Vice President, Finance
& Chief Financial Officer*

Auditors' report

We have audited the consolidated balance sheets of Agrium Inc. as at December 31, 2003 and 2002, and the consolidated statements of operations and retained earnings and cash flows for each of the years in the three-year period ended December 31, 2003. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2003, in accordance with Canadian generally accepted accounting principles.



KPMG LLP
Chartered Accountants
Calgary, Canada
February 11, 2004

Consolidated statements of operations and retained earnings

Years ended December 31	2003	2002	2001
(millions of U.S. dollars, except per share amounts)			
Sales	2,630	2,198	2,174
Direct freight	131	115	111
Net sales	2,499	2,083	2,063
Cost of product	1,760	1,564	1,516
Gross profit	739	519	547
Expenses			
Selling, general and administrative	286	246	268
Depreciation and amortization	140	148	141
Asset impairment ^(note 8)	235	–	–
Royalties and other taxes	17	19	22
Other expenses and Argentine charges ^(note 3)	40	42	85
Earnings before interest expense and income taxes	21	64	31
Interest on long-term debt	58	59	55
Other interest	5	9	19
Loss before income taxes	(42)	(4)	(43)
Current income taxes (recovery) ^(note 4)	22	(21)	28
Future income taxes (reduction) ^(note 4)	(43)	17	(26)
Income taxes	(21)	(4)	2
Net loss	(21)	–	(45)
Retained earnings – beginning of year	191	245	315
Change in accounting policy ^(note 2)	–	(29)	–
Common share dividends declared	(14)	(14)	(13)
Preferred securities charges	(11)	(11)	(12)
Retained earnings – end of year	145	191	245
Loss per share ^(note 5)			
Basic and diluted	(0.25)	(0.08)	(0.49)

See accompanying notes.

Consolidated statements of cash flows

Years ended December 31	2003	2002	2001
(millions of U.S. dollars, except per share amounts)			
Operating			
Net loss	(21)	–	(45)
Items not affecting cash			
Depreciation and amortization	140	148	141
Asset impairment ^(note 8)	235	–	–
Foreign exchange and Argentine charges	(8)	14	20
Future income taxes (reduction) ^(note 4)	(43)	17	(26)
Net changes in non-cash working capital			
Accounts receivable	(98)	1	52
Inventories	12	43	(66)
Prepaid expenses	(25)	(4)	(2)
Accounts payable and accrued liabilities	12	19	(27)
Income and other taxes payable	(15)	(14)	40
Cash provided by operating activities	189	224	87
Investing			
Capital expenditures	(99)	(52)	(164)
Acquisition	–	–	(19)
Decrease (increase) in other assets	3	2	(32)
Proceeds from disposal of assets and investments	12	9	3
Net change in non-cash working capital	26	9	27
Other	7	3	(15)
Cash used in investing activities	(51)	(29)	(200)
Financing			
Common shares	6	108	1
Bank indebtedness repayment	(1)	(211)	(97)
Long-term debt issue (repayment)	(27)	(9)	267
Common share dividends paid	(14)	(14)	(13)
Preferred securities charges paid	(11)	(11)	(12)
Cash provided by (used in) financing activities	(47)	(137)	146
Increase in cash and cash equivalents	91	58	33
Cash and cash equivalents – beginning of year	109	51	18
Cash and cash equivalents – end of year	200	109	51
Dividends per common share for the year	0.11	0.11	0.11
Supplemental cash flow disclosure			
Interest paid	61	67	72
Income taxes paid (received)	30	(6)	(2)

See accompanying notes.

