

PRELIMINARY ANNOUNCEMENT

Nufarm Limited 2001 full year financial results

Nufarm Limited generated a group operating profit of \$51.1 million for the 12 months ended July 31, 2001. Non-operating items, including a \$59.2 million write-off associated with the Canadian based Sulfer Works business and a \$3.6 million gain, primarily the sale of the timber treatment business, resulted in a reported audited group loss of \$4.5 million for the period.

The 2001 group operating profit is consistent with the forecast released to the market in July, and is in line with the comparable operating result reported for the previous period.

Due to a change in balance date last year, the Company's statutory accounts reflect 12 months for the current year compared to 14 months in the previous period. To enable a relevant comparison of year to year performance, the Stock Exchange release includes additional financial data relating to the operating results of the Company over the two comparable 12 month periods ending July 31.

The remainder of the comment in this report compares the operational performance in the two 12 month periods.

Group sales amounted to \$1.32 billion compared to \$1.21 billion achieved in the previous year (up by 9%). The year 2000 sales, however, included revenues from two businesses – construction chemicals and timber treatment chemicals – which have since been sold. On a comparison of the same business base, and excluding foreign exchange impacts, sales increased by 4.4% in the 2001 reporting period.

Australasia accounted for 46% of total group sales, with 26% of sales being generated in Europe and 28% in North America. This is the first year in which the revenues generated by Nufarm's overseas businesses have exceeded those of the Australia and New Zealand operations and reflects the increasingly global nature of the group.

Nufarm's Australian based crop protection business was significantly down on its performance for the previous year and was the principle factor responsible for a flat 2001 profit result for the group. The other major operating divisions reported increased profit contributions.

In the Statement of Financial Performance, depreciation and amortisation includes \$37.3 million of Sulfer Works asset write-off, and the income tax expense includes \$10.3 million in a write-back of previously recognised taxation losses relative to Sulfer Works.

In the Statement of Financial Position, current interest bearing liabilities include the Company's capital notes on issue, which are due to be repaid in the 2002 year. In the prior year these notes were shown as non-current liabilities.

Sulfer Works Canada

In July 2001, the Board informed the market of a decision to write-off the investment in the Sulfer Works business in the year ended July 31, 2001. The total write-off associated with this business is \$59.2 million. This includes a complete write-off of the

operations; a write-down of the fixed assets to a conservative, realisable value; and a write-back of tax losses previously recognised in the accounts. Negotiations with potential purchasers are nearing completion, but any recovery will be small, and is recognised in the written down value of the fixed assets.

This business has been plagued with difficulties since the fire which occurred during the original commissioning of the plant in 1997. The subsequent capital investment in rebuilding the plant – including an extensive safety redesign – proved unsustainable and required production and sales levels which the business has not achieved. While some progress has been made in addressing various production and product development issues, the best estimate is that it would take at least 2-3 years before sales could increase to a level where continuing cash losses could cease.

Given this situation, the Board was not prepared to allow the adverse results from this business to impact the Company going forward, nor for management to be distracted from the challenges and opportunities presented by the core business.

Operations

Crop protection

The pre tax operating result for the crop protection business was \$52.0 million, down on the previous year's \$57.7 million. This was achieved on sales to outside customers of \$919.2 million (\$762.8 million in 2000), an increase of just over 20%.

The overall result from this part of the business was adversely impacted by a poor performance in Australia. While sales and market share were maintained, the Australian business suffered from significantly lower margins. Strong competition, industry rationalisation, a lower exchange rate on the Australian dollar, and drought conditions in Western Australia during the reporting period all had a combined impact on profitability. In the current year measures already taken by management are expected to significantly reverse this trend.

Excellent growth was achieved in North America, with an overall increase in sales of 22%. Both the agricultural chemicals business and the turf and specialty business (Riverdale Chemicals) generated increased sales and profitability. A considerable effort has been invested in establishing the 'Nufarm' brand in the United States and in securing access to market through a strengthening of distribution relationships. These measures helped achieve an increase in both branded phenoxy herbicide sales and glyphosate sales in a very competitive market.

The Riverdale business, based in Chicago, was again a very strong performer, with increased product sales into the turf (golf courses, home lawns, municipal parks, etc) and specialty (railways, forestry, aquatic) sectors.

Substantial progress was also made on the upgrading of the Chicago manufacturing facilities which produce product for both the crop and non-crop sectors.

Latin America was the focus of significant registration and marketing activity during the 12 month period and remains an excellent prospect for future growth. Nufarm's 2,4-D acid received a regulatory approval in Brazil – now the world's second largest agricultural chemical market behind the United States. A number of additional product

registrations were progressed in Latin American markets, and the company acquired a distribution company, Marman, through which product is being supplied into Central America.

In Europe, good results were recorded by all operations. The UK/Netherlands and Austrian businesses achieved increased sales and profit contributions, as did the French based crop protection business. This was in spite of difficult market conditions, particularly in the UK and France where flooding impacted the timing and extent of overall industry sales.

The Austrian operations, based in Linz, showed a strong turnaround after being negatively impacted the previous year by a prolonged shutdown of the manufacturing facility.

The European business benefited from an improved sales performance in a number of regional markets such as Spain; several new product registrations; and the launch of a strong branding strategy in the important German market.

In Asia, the Company's crop protection sales increased by 34% which translated into a higher profit contribution from this expanding part of the business. Sales into the Indonesian plantation market were particularly strong. A new office was also opened in Japan to assist with Nufarm's business development in that important, high value market.

The acquisition, in May 2001, of Agtrol International, a United States based fungicides company, facilitates Nufarm's entry into a valuable new sector of the global crop protection business. Nufarm is now able to offer a broader product range and service new industry sectors, such as horticulture. The Agtrol business has now been integrated into Nufarm's management and sales and marketing structure.

Industrial, fine and performance chemicals

The industrial, fine and performance chemicals division increased pre tax operating profit by some 33%. This was achieved on lower sales (\$403.3 million in 2001 compared to \$450.1 million in 2000), due to the divestment of both the construction chemicals business at the end of the year 2000 reporting period, and the timber treatment chemicals business in January 2001.

Excellent results were generated by the Western Australian chlor alkali plants, which benefited from strong world pricing for caustic soda. There were also improved performances from the chemicals trading businesses (Australia and New Zealand), and the health and sciences division in New Zealand, which benefited from a significant increase in the production of the Captec controlled release animal health product.

The South Carolina based Lobeco Products subsidiary also performed well, with higher sales of its fine and performance chemicals and an increased profit contribution. This was in spite of difficult trading conditions for the fine and performance chemicals market, with high energy costs in the US and other general economic factors leading to a depressed demand from industries into which these products are supplied.

The European based fine and performance chemicals operations were down on their year 2000 results. The French based SEAC subsidiary was impacted by the deferment

of key orders for high value pharmaceutical intermediates, while downturns in the construction and fertiliser industries also resulted in a lower demand for intermediates into those sectors.

Other interests

As reported at the half year, Nufarm is in the process of exiting its human health pharmaceutical business which was managed by the Pharma Pacific subsidiary. A proposed acquisition of this business by a UK based company is dependent on a capital raising which is not yet completed. Directors anticipate that an agreement can be concluded within the 2002 reporting period, and the book value of Pharma Pacific assets, which have already been substantially written down, will be more than fully recovered.

New Zealand delisting

Subsequent to 2001 year end, shareholders approved in August a proposal to cease trading of the Company's shares on the New Zealand Stock Exchange. Directors recommended the delisting as a means of maximising the trading volume of Nufarm shares on the Australian Stock Exchange (ASX). The liquidity of the Company's stock helps determine index rankings which, in turn, can influence investment decisions by larger fund managers. The Company is seeking to satisfy criteria which will see it returned to the top 200 companies index.

New capital notes issue

The existing capital notes, issued in 1996 at a total value of NZ\$170 million, are due for renewal in April 2002. The Company has retained CS First Boston and UBS Warburg as joint managers of a new notes issue to be launched in November 2001. The new program will seek to raise NZ\$210 million (A\$170 million).

Dividend

Directors have approved a final dividend for 2001 of 11 cents per share. The dividend will carry full franking credits for Australian stockholders and will be paid on November 9, 2001 to the holders of all fully paid shares in the company as at the close of business on October 26, 2001. This brings the total dividend payment for 2001 to 18 cents per share (17 cents paid in 2000).

Share buyback

The Company's current on-market share buyback period expires on October 12 and will not be extended. Very few shares have been purchased and Directors believe the company's cashflow should be preserved to take advantage of new business development opportunities.

Future prospects

While it is difficult to make future predictions at this time of international uncertainty, Directors believe the Company can - given reasonable trading conditions - return to double digit profit growth for the financial year 2002. The Company has budgeted for a positive turnaround in the Australian crop protection business and – following a thorough review of these operations – is confident that measures are being implemented to achieve a significantly improved result.

While the Australian market remains extremely competitive, with consequent downward pressure on pricing, Nufarm is focusing on initiatives which secure and expand access to market; eliminate unnecessary costs from the business; and facilitate the speedy introduction of new products.

In August, the Company announced an agreement with Wesfarmers Landmark which resulted in Nufarm acquiring the Victorian based manufacturing assets of Artfern Limited, and the establishment of a 50% joint venture to own and manage the Artfern agricultural chemical supply business.

The Company is also confident of continued growth, in both sales and profit contributions, from the North American and European crop protection operations as those businesses take advantage of a broader product range (provided by the Agtrol acquisition) and increased recognition of and loyalty to the 'Nufarm' brand. The important growth markets of Asia and Latin America are also being targeted for an increase in sales, and the company is now operating from offices in Japan and Argentina to build Nufarm's presence in these regions.

Current economic conditions are likely to dampen growth prospects in the fine and performance chemicals division, however a strong focus on contract synthesis development for the pharmaceutical industry is expected to provide increased returns from the SEAC operations in France.

In the current year, the major priority for management will be to operate the business from the lowest possible capital base in order to reduce the net level of working capital and maximise free cash flow. Capex requirements will also be critically reviewed. It is important for the Company to strengthen its financial position at a time when there is so much international uncertainty.

The continued growth of the business in the Northern Hemisphere has accentuated the seasonality of results in the two half years. In the 2002 year, the Company expects to generate in excess of 80% of its profit in the second half.

In summary, the future prospects for the Group are sound and management is confident of, and strongly committed to, returning the Company to positive profit growth in the current year and beyond.

DJ Rathbone
Managing Director

October 11, 2001