

October 10, 2002

Preliminary announcement

Nufarm Limited reports record 2002 full year profit

The directors of Nufarm Limited announced today a record tax paid profit of \$56.834 million for the year ended July 31, 2002. The result represents an 11% increase on the previous year's operating profit of \$51.1 million and was achieved on group revenues of \$1.43 billion, an increase of 8% on the corresponding period last year.

The Directors consider this a good result in what continues to be a very challenging business environment.

The company last year reported an audited group loss of \$4.5 million, after accounting for non-operating items, the most significant of which was the \$59.2 million write-off associated with the Sulfer Works business in Canada. That business has since been sold.

The strong 2002 result is attributable to a combination of sales growth and margin improvements in the group's key businesses.

Earnings per share were 36.7 cents, an increase of 10.9% on last year's 33.1 cents (from operating profit adjusted for the Sulfer Works loss).

Climatic conditions during the year were variable and sales in the last two months of the financial year were some \$40 million in excess of the previous year and \$60 million above budget. Inventories associated with businesses acquired late in the financial year also contributed to closing working capital being significantly higher than forecast.

The operating cash flow of the business has improved since balance date as these higher debtor levels have been recovered.

Final dividend

Directors declared a fully franked final year dividend of 11 cents per share (last year 11 cents), resulting in a full year dividend of 18 cents (the same as last year).

The dividend will be paid on November 8, 2002 to the holders of all fully paid shares in the company as at the close of business on October 25, 2002.

Operations

The increase in group sales reflects growth in the crop protection business (sales up 13% to \$1.04 billion) and a 5% reduction in sales (to \$385 million) associated with the industrial, fine and performance chemicals business. This reduction is in part due to the sale of the timber treatment business (January 2001) which recorded six months of sales in the previous year.

In the 2002 financial year, Australasia accounted for 47% of total sales, the Americas 27% and Europe 26%.

Consistent with the company's long term strategy to focus on its crop protection operations, 73% of the group's total revenues were generated in this area of the business.

Crop protection also recorded a 15% increase in pre tax operating profit (up from \$103.1m to \$118.3m). There was a reduction in pre tax profit (adjusted for Sulfer Works) for the industrial chemicals division, down from \$36.1m to \$31.3m, again partly due to the absence of any contribution from the timber treatment operations which were sold in the previous year.

Crop protection

Trading conditions for the crop protection business were difficult in the 2002 reporting period. Extensive drought conditions in Australia, and unfavourable seasonal conditions in parts of the United States and Europe, prevented Nufarm from taking full advantage of its increased sales and marketing presence and expanded product range.

Despite these challenges, the crop protection operations performed very strongly, with an increase in both sales and market share in all of the key markets in which Nufarm is represented.

The Australian business recorded a 15% increase in sales for the period and a much improved level of profitability. Australia accounts for some 30% of the group's crop protection revenues.

There has been a concerted effort to lower Nufarm's Australian cost base, in response to the competitive nature of the market, and to review the product mix in order to maximise margins.

Sales in drought affected states were down on budget, but the company was able to increase sales in those regions where conditions allowed normal cropping activity.

In February, the company announced an important new arrangement with Monsanto for Nufarm to take over the Roundup business in Australia and New Zealand. Roundup is the world's biggest selling herbicide. Nufarm also acquired a range of selective herbicides from Monsanto. These

developments will have a positive impact on the profitability of the Australian business in 2003 and beyond.

The New Zealand based Health and Science business had an excellent result. Record levels of Captec controlled release capsules were manufactured, and a significantly increased level of toll manufacturing was completed for animal health business customers. New Zealand sales of crop protection products were also very strong.

Asia – where sales increased by some 60% - recorded an excellent outcome for the year, particularly in Indonesia where Nufarm has achieved strong market shares in both its core phenoxy herbicide and glyphosate products.

In North America, Nufarm achieved an increase in sales in both Canada and the United States. The USA profit contribution was impacted by a full year of costs relating to the Agtrol acquisition (May 2001) and an increased investment in resources and registrations to support long term growth. The strategy for consolidating Nufarm's presence in the world's largest crop protection market remains sound with further profit growth anticipated in coming years.

The combined European based businesses recorded increased sales and profit. France remains the largest market for Nufarm, but there was good growth in Spain and Portugal (where Nufarm acquired a small business), and an increase in branded product sales in other markets such as the UK and Germany.

Overall, Nufarm continued to expand both its geographic markets and its product portfolio and is firmly established as a leading global crop protection manufacturer and supplier.

Industrial, fine and performance chemicals

This division accounted for 27% of group sales and 21% of pre tax operating profits.

The US based fine chemicals business (Lobeco Products, South Carolina) suffered a 30% reduction in sales over the period as key customers elected to run down inventory levels in a depressed market. An aggressive cost containment program minimised the profit impact of these developments, but the net result was down on the previous year.

Similarly, the European fine chemicals market was tight, but Nufarm achieved growth in sales and profit, with a very positive contribution made by the pharmaceutical intermediates business (SEAC, France).

The performance chemicals business, which includes the market leading 'Galoryl' brand, was reorganised to provide more focused management and succeeded in strengthening ties with a number of large customers. Despite

an over capacity in global fertiliser supplies (a major market for Galoryl products), the business was able to achieve a minor profit increase over the 2001 period.

Nufarm's 80% owned chlor alkali plants, which supply chlorine to titanium dioxide producers in Western Australia, performed strongly, but a reduction in world indicator prices for caustic soda – a key bi-product sold into the mining sector – minimised any increase in profit. The cyclic nature of caustic pricing will result in a reduction in profitability from these operations in 2003.

Corporate activity

In August 2001, Nufarm shareholders approved a proposal to delist the company in New Zealand and focus the trading of Nufarm's stock on the Australian Stock Exchange. The resulting increased liquidity in Nufarm's shares has contributed to the return of the company to the benchmark S&P ASX top 200 index, effective from October 1, 2002.

In November 2001, the Nufarm subsidiary Fernz Corporation (NZ) Limited completed an issue of new capital notes, raising NZ\$225 million. This represented an over subscription to the NZ\$210 million initially on offer. The proceeds from the issue were used to refinance notes which matured in April 2002 and to provide additional working capital for the group.

Events subsequent to balance date

Subsequent to the reporting period, Nufarm announced in August that it would acquire Queensland based Crop Care Australasia Pty Ltd from Orica Limited and Incitec Ltd for \$75 million. The Australian Competition and Consumer Commission (ACCC) advised this week that it has approved the transaction.

This will be an important acquisition for Nufarm, facilitating growth into key sectors of the Australian crop protection market where Nufarm is currently not strongly represented. The Crop Care product range is largely complementary to Nufarm's range of products and the combination of the businesses will present opportunities for considerable cost rationalisation.

Post year end, Nufarm also announced the sale to Orica Limited of the Fernz Chemicals business in Australia and New Zealand, and the New Zealand based process chemicals business. These businesses generated some \$200 million in revenues during 2002 and contributed an EBIT of just over \$5 million. The decision to sell these businesses reflects the company's desire to concentrate on its crop protection activities and those industrial chemical businesses where it can leverage its core strengths in chemical synthesis and formulation.

Outlook

Directors are confident that the company's strong performance in 2002 will continue into 2003 and beyond. Having achieved a record profit in a period of challenging trading conditions, the company is fundamentally well placed to take advantage of any improvement in those conditions.

While there remains some uncertainty as to the ongoing impact of drought conditions in Australia, the increasingly global nature of the business will lessen the impact of unfavourable seasonal conditions in any specific markets, as it did in 2002.

The crop protection operations will benefit from a full year's contribution from the Roundup business and the additional sales and synergies associated with the Crop Care acquisition. After accounting for restructuring costs associated with Crop Care, the acquisition is forecast to be earnings per share positive in the 2003 financial year.

The company anticipates a marginal improvement in demand for fine and performance chemicals over the 2003 reporting period. The sale of the Fernz chemicals distribution business will, however, lead to a reduction in overall revenues and profit from the industrial chemicals operations.

There will be a continuing focus on cost control, manufacturing efficiencies and margin improvement across all areas of the business.

At the time of preparing this report there is significant world uncertainty but the Directors are budgeting for continued revenue and profit growth in 2003 and believe the longer term outlook for the company remains very positive.

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