

27 March, 2002

**Report to shareholders  
6 months ended January 31, 2002**

Nufarm Limited has generated an unaudited tax paid profit of \$5.6 million for the half year period ending on January 31, 2002. This result is consistent with the company's expectations and compares with an interim profit excluding non-operating items of \$8.2 million for the corresponding 2001 period.

Management restated that Nufarm is on track to achieve double-digit growth on its 2001 full year operating profit of \$51.1 million.

The half year profit was achieved on group sales of \$556.2 million, which compares with \$567.8 million for the interim period last year. On the basis of a like-for-like comparison (excluding divested businesses from the previous year and newly acquired businesses from the period under review), group revenues were virtually unchanged.

51.9% of total turnover during the interim period was generated in Australasia; 25.6% was generated in Europe and 22.5% in North America.

An increasing proportion of sales in Nufarm's highly seasonal crop protection operations continues to skew the company's earnings into its second six month period, when sales are driven by corresponding farming cycles in both the northern and southern hemispheres. Notwithstanding this sales pattern, the company has a predominantly fixed level of expenses which are evenly recognised throughout the year.

Nufarm continued to invest in the establishment and future growth of its North American crop protection business, with a 19% increase in sales over the first half offset by higher costs, mainly attributable to the Agtrol International fungicides business acquisition.

Additional spending on research and development, regulatory activities and global management resources has been necessary to facilitate the medium to long term growth of the company.

The group's working capital and operating cashflow position reflects the growth in inventories in the first half. The Agtrol acquisition (May 2001) involved significant inventories, and general stock levels have been increased to meet anticipated strong second half sales.

Directors also announced a fully franked interim dividend of 7 cents - unchanged from last year - which will be paid on April 26, 2002, to all holders of ordinary shares in the company as of April 12, 2002.

## **Crop Protection**

The crop protection business accounted for 67.3% of group sales (\$374.3 million) and generated a pre-tax operating profit of \$9.9 million.

The results show improvement in the Australasian operations, which have received considerable management attention following a disappointing profit performance from this area of the business last financial year.

Increased margins reflect a stronger pricing policy and greater efficiencies in manufacturing and administrative support. Given a reasonable season for Australia's broadacre winter crops, the business is expected to generate a very solid profit contribution for the full year. New Zealand sales are also ahead of forecast at the half year.

The combined European crop protection operations recorded an 8% decrease in sales over the same period last year. Sales in France are running behind budget due to seasonal factors, but the shortfall is expected to be recovered by year end. Key achievements in Europe included the signing of an important supply agreement with Aventis; registration approvals for a number of key products; and the launching of a new branded product strategy in Germany.

The North American crop protection business continues to show strong growth, particularly in the agriculture sector. Sales into the turf and specialty market were somewhat dampened by a rundown of inventory levels by retailers. A late start to the Canadian winter encouraged stronger sales into that market, while in the United States sales were up by some 17% over last year's first half result. The outlook in the U.S. is positive – despite continuing dry conditions in Florida and California where fungicide sales are behind forecast – with strong commodity prices and very positive summer planting intentions.

When compared with the same period last year, first half expenses were significantly higher in the United States reflecting the increased costs associated with the expansion of the business into fungicides, and a higher spend on marketing programs. Management is confident that these additional costs are justified given Nufarm's objective to achieve a strong, long-term position in the world's largest crop protection market.

In December, Nufarm announced that it had entered the global insecticides market with a strategic equity stake in a highly respected Indian insecticides company, Excel Industries Limited. The agreement with Excel gives Nufarm access to a range of products which are used extensively in major crops such as cotton, rice and soybeans.

The Excel deal follows the Nufarm acquisition, in May of 2001, of the US based Agtrol International fungicides business. This business has now been fully integrated into the existing Nufarm operations in both the US and France,

giving the company a larger sales force, broader regional coverage and an enhanced product range.

The ability of Nufarm to supply insecticides and fungicides – as well as its existing strength in the herbicides sector – is integral to the company's future global growth prospects.

Post the completion of the half year, Nufarm also announced that it has signed a memorandum of understanding with Monsanto Company for the exclusive distribution of the 'Roundup' range of glyphosate products in Australia and New Zealand. Nufarm also intends to acquire Monsanto's selective chemistry business. The agreement is currently the subject of approval by the Australian Competition and Consumer Commission. When finalised, it will add some \$100 million in sales to Nufarm's business.

### **Industrial, fine and performance chemicals**

This division generated an operating profit of \$13 million on sales of \$181.2 million for the half year period.

The South Carolina based Lobeco operations experienced a 20% downturn in sales with one of its largest customers – a US based automotive paint company – canceling orders and opting to run down inventory levels in response to the impact of US economic pressures. These lost sales, worth in the order of \$5 million, will not be recovered by year end, but the business will gradually pick up as the US economy strengthens.

While the performance chemicals business – which services the fertilizer and explosives industries – was down on budget at the half year, sales are expected to recover by year end based on current forward orders.

The pharmaceutical intermediates business in France performed strongly over the six month period, operating at full capacity with a number of development and synthesis projects underway for major pharmaceutical companies.

There has been further internal rationalisation of the Australian and New Zealand chemicals trading business. Expenses have been reduced and margins improved. The business is slightly ahead of budget at the half year.

The group's Western Australian based chlor alkali plants were down on expectations with a slightly lower off-take of chlorine and a reduction in the world indicator price for caustic soda.

### **New Zealand Stock Exchange delisting**

In August 2001, shareholders overwhelmingly approved a proposal to cease trading on the New Zealand Stock Exchange, in favour of concentrating its

trading on the Australian Stock Exchange (ASX). This took effect from August 13.

There has been a marked increase in the company's liquidity since the delisting, improving Nufarm's prospects of regaining entry to the ASX top 200 index. Standard and Poors, which manages the indices on behalf of the ASX, has announced a proposed change in the criteria for assessing index positions which will take into account the 'free market float' of listed companies. These changes are also expected to assist with the company's efforts to re-enter the top 200.

### **Capital Notes issue**

Through its subsidiary, Fernz Corporation (NZ) Limited, Nufarm raised NZ\$225 million via an offer of unsecured, subordinated capital notes. The offer – initially for NZ\$210 million – was launched on October 29, 2001 and closed ahead of schedule in late November after accepting oversubscriptions of NZ\$15 million.

The funds are being used to refinance existing capital notes, which mature in April 2002, and to provide additional working capital for the group.

### **Prospects for the full year**

The company is in a solid position to achieve its forecast double digit profit growth for the full year.

Early results for the third quarter of operations show a continuing improvement in sales margins and – given favourable weather conditions over the next few months – demand for Nufarm's crop protection products is expected to be strong in all key markets. Australia, in particular, is poised for an excellent season.

The company is expecting to achieve marketing approvals for a number of important new products and an anticipated strong global demand for phenoxy herbicides will place Nufarm in a strong pricing and supply position.

A number of new business opportunities are currently being evaluated, and the medium to long term growth prospects for the company remain positive.