

March 27, 2003

**Report to shareholders  
6 months ended January 31, 2003**

Nufarm Limited has generated an unaudited tax paid loss of \$3.9 million for the half year period ending on January 31, 2003. This result is marginally ahead of previous guidance provided by the company and compares to an interim profit of \$5.6 million for the corresponding period last year.

The company reaffirmed its confidence that – with good recent rains and a continued improvement in seasonal conditions over the next few months in Australia's major cropping regions – it can achieve growth on its 2002 full year profit.

The interim dividend has been maintained at 7 cents (fully franked) and will be paid on May 2 to all holders of ordinary shares in the company as of April 11.

The first half performance was significantly impacted by the severe drought conditions experienced in Australia during the period. With recent rains, however, February and March sales in Australia have been extremely strong and the outlook for sales for the remainder of the second half is now very positive.

Nufarm's earnings are highly seasonal, with its global crop protection business generating virtually all of its profit in the last six months of the company's financial year, coinciding with the major planting/cropping periods in Australia (winter broad acre cropping), Europe and North America (summer broad acre cropping).

This weighting has become even more pronounced with the acquisition of Crop Care Australasia Pty Ltd and the sale of the Fernz speciality chemicals business. Both transactions were completed within the reporting period.

The first half result was generated on group sales of \$509.6 million, which compared with \$556.2 million for the interim period last year. Last year's interim sales included some \$82 million attributable to the Fernz specialty chemicals business which was sold to Orica in November and only contributed three months of sales in the 2003 interim period (\$50 million).

On a like for like basis, crop protection sales in Australia were some 14% down on the corresponding period last year.

49% of turnover was generated in Australasia; 28% was generated in Europe and 23% in the Americas.

The period also saw increased costs associated with new businesses acquired in the period. Both of those acquisitions – Crop Care Australasia Pty

Ltd and a proprietary herbicide for the German and Belgian markets – are expected to be earnings per share positive for the full year.

Working capital as at January 31, 2003 was \$528 million, which is 16% higher than for the same period last year. An increase in inventories is largely attributable to the Crop Care acquisition, with other increases due to the impact of the Australian drought and global stocking programs to meet anticipated second half sales.

### **Crop protection**

The crop protection business accounted for 74% of group sales (\$375.1 million) and generated a pre-tax operating profit \$16.4 million.

While the Australian business suffered due to the drought conditions, the performance of Nufarm's other global crop protection businesses was generally in line with budget and, as a whole, ahead of last year's performance for the first six months.

There was very little summer cropping activity in Australia due to the drought. While Nufarm's sales were significantly down on both budget and the same period last year, the business achieved some improvement in margins which should help produce a stronger profit result in the second half.

The Crop Care acquisition was completed in November 2002. This business – which gives Nufarm a stronger position in a number of market sectors - is budgeted to generate in excess of \$100 million in sales for the full year. The integration of Crop Care is proceeding on schedule and forecast synergy benefits are expected to be realised in the current financial year.

The New Zealand business is ahead of budget at the half year and will generate strong growth over its 2002 performance for the full year.

In Asia, Nufarm's Indonesian business continues to achieve both sales and profit growth, and above budget sales were generated in Japan in the first six months. The Asian regional marketing office was relocated to Kuala Lumpur from Singapore during the period, providing a lower cost base and closer proximity to the Malaysian manufacturing operations.

Crop protection sales into the United States agriculture sector are in line with expectations, with growth on the 2002 sales result confidently predicted for the full year. Nufarm has established strong relationships with all major distributors in the US and is now benefiting from a major investment in marketing of the Nufarm brand and product portfolio expansion. First half sales into the US turf and specialty sector (Riverdale subsidiary) were slightly down on the same period last year, with depressed economic conditions continuing to impact the market.

In Europe, branded sales in all of Nufarm's markets showed positive growth.

Nufarm completed the acquisition of a proprietary herbicide for the German and Belgian markets in late 2002. The product is a market leader in its sector and will facilitate access to distribution in Germany, Europe's second largest country market behind France. A sales and marketing operation has been established in Cologne to support sales of this product and to develop opportunities for Nufarm's other products.

Nufarm's methyls business, which includes manufacturing plants in the UK and Holland, involves the supply of both Nufarm branded product and bulk technical active to other suppliers. Some large sales of technical active – which were previously recorded in the first half – will now be realised in the second half of the year. The company is also implementing measures to improve the margins associated with the technical supply component of the business.

### **Chemicals division**

This division generated sales of \$133.4 million and an operating profit of \$8 million for the first half period.

During the period, Nufarm completed the sale of its Australian and New Zealand based Fernz chemicals trading business to Orica Ltd. The sale is consistent with Nufarm's strategy of focusing on its global crop protection operations and divesting non-core businesses which have no strategic value to the group.

The SEAC pharmaceutical intermediates subsidiary in France generated revenues below the same period last year and slightly down on budget. The business is expected to produce a stronger second half performance.

The fine and performance chemicals businesses were ahead of last year's first half performance and the full year outlook for most product lines is positive, especially the US based fine chemicals operation in Lobeco which is expected to generate strong growth over its 2002 result.

The company's chlor alkali plants (80% owned) in Western Australia generated good returns in the first half and are tracking in line with budget. An increase in the world indicator price for caustic soda will improve the second half performance of these assets.

### **Outlook**

Widespread rains received throughout Australia during February helped generate record sales for the Australian crop protection business that month, as the distribution sector and farmers prepare for the planting of winter crops. March has seen a continuation of strong sales. Follow-up rains during the next three months will encourage a high level of cropping activity and Nufarm

remains in an excellent position to capitalise on the business which will be generated by that activity.

The Australian business should show strong sales growth for the full year, assisted by the addition of both the Crop Care business and a full season of Roundup glyphosate sales.

In other crop protection markets, the company is expecting sales growth for the full year, with several new product introductions contributing to that outcome.

In overall terms, the retained businesses within the chemicals division should generate a result at least in line with the 2002 outcome.

With seasonal conditions continuing to improve in Australia, the company is in an excellent position to achieve profit growth on its 2002 full year result.

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