



**Managing Director's Address
to the Annual General Meeting of Shareholders - Melbourne
Thursday, December 13, 2001 at 10.00 am**

D J Rathbone

Thank you Mr Chairman. I would like to add my welcome to Nufarm shareholders and our other guests here this morning.

I'm pleased to be able to take the opportunity to report to you on the performance of the company in the preceding financial year; to give you an update on the business in the current reporting period; and to outline some of the progress we are making towards achieving our long term goals of continued global expansion and increased shareholder returns.

As you will now be aware, Nufarm reported a \$51.1 million operating profit for the 12 months ended July 31 this year. This result is in line with operating profit reported for the previous 12 month period. After taking into account the non-operating items – principally the write-off associated with the Sulfer Works business in Canada – Nufarm recorded a \$4.5 million loss.

In terms of revenues, we achieved a record level of sales at \$1.32 billion, and – significantly – sales generated in our major international markets of Europe and North America exceeded those generated in Australasia for the first time, reflecting the ongoing globalisation of the company.

We have declared a final year dividend of 11 cents per share, which was paid on November 9 and carried full franking credits for Australian shareholders. This brought the full year dividend to 18 cents, up slightly on the 17 cents paid in the previous year.

The decision to write-off \$59.2 million associated with Sulfer Works was certainly not taken lightly, and it is worth restating the justification for that decision.

The business, which produces a premium sulfur-based fertiliser, was thoroughly reviewed by senior management in terms of its ability to operate at a profitable level. The review covered manufacturing and formulation aspects of the business, as well as the sales and marketing strategies and general management of the operation. It was concluded that Sulfer Works would continue to generate cash losses for at least three years (and possibly longer) and that the responsible option was to exit the business and remove that impact from Nufarm's results going forward into the 2002 year and beyond.

I have no doubt that this was the correct decision.

We have recently reached agreement with a third party to acquire the assets of the business. The sale will be completed within the next month, with the proceeds to be slightly in excess of the current written down book value.

Another major impact on our 2001 results was the poor profit contribution from our Australian crop protection business. This business has been an important driver of our global expansion and every effort is now being made to improve margins in the Australian operations.

We are tackling this challenge on all fronts:

- we are introducing price increases on a number of core products;
- strengthening our access to market via new supply agreements with the major distributors; and
- introducing improved efficiencies into our manufacturing operations.

The benefits of the considerable industry rationalisation which has occurred will take some time to fully realise. But we are already seeing a more professional, organised and cost-conscious industry in Australia and Nufarm is well positioned to take advantage of that change.

Elsewhere, with respect to the crop protection operations, we were able to achieve growth in both sales and profit across all of the international markets in which we operate.

The North American operations – covering both agricultural chemicals and the Riverdale turf and specialty chemicals – recorded a 22% sales increase. As the largest market in the world, the United States provides ample opportunity for additional growth for Nufarm. We must continue to set realistic targets and continue to invest in the establishment of the Nufarm brand if this potential is to be realised. The current 12 months will see additional resources allocated to consolidating our position in the US and providing a platform for long term growth.

With California and Florida being important horticultural areas with a strong demand for fungicide products, our acquisition of the Agtrol International fungicides business (in May of this year) sees Nufarm with a much broader 'footprint' of sales activity across the US.

In Latin America – a substantial market for crop protection – Nufarm made important strides in securing valuable business, via a key product registration in Brazil, new distribution relationships, and a small operational presence in Argentina which resulted from the Agtrol acquisition. We will build on that progress in the current year, with further registrations expected to be approved.

Nufarm was also successful in growing sales in Europe. Despite extensive flooding in both the UK and France – which affected the timing of sales in those markets – our European operations increased their profit contributions, with new business being secured in a number of regional markets, including Spain and Germany.

The Asian operations performed strongly during the 2001 reporting period and the opening of a Nufarm office in Japan signals a determined effort to access that

market; recognising the long term relationship building which will be necessary to win and grow business in that part of the world.

So far as the Industrial, Fine and Performance Chemicals division is concerned – which represents 30% of the group's revenues – the 2001 period saw positive contributions from most of these businesses, amounting to a 33% increase in pre tax profit.

This was achieved on lower overall sales, following the divestment of the timber treatment chemicals business (in January of this year) and the absence of sales from the construction chemicals business, which was sold at the end of the 2000 financial year.

Nufarm's two chlor alkali plants, in Western Australia, returned excellent results, and there were improvements in the performance of the trading businesses, the health and science division, and the South Carolina based Lobeco Products subsidiary.

The SEAC fine chemicals operation, in France, was adversely impacted by a deferment of orders for pharmaceutical intermediates, but that facility is now at full capacity and we are confidently predicting increased profitability in the current year.

In summary: The 2001 reporting period saw Nufarm achieve revenue growth in all of its major markets. The Australian crop protection business stalled in terms of its profitability, but a turnaround of that position is now a key focus for the company. We have resolved the Sulfer Works issue in a manner which removes any negative impact on the group's future results; and we have identified a number of financial management objectives – including a significant reduction in working capital – in relation to which strategies are now in place.

There are several important non-operational matters which have been addressed over the past 12 months.

In August, shareholders approved the company's delisting from the New Zealand Stock Exchange. Your Board had recommended the delisting as a means of concentrating the trading of Nufarm shares on the Australian Stock Exchange. After dropping out of the top 200 index here in Australia, we needed to see an increase in the liquidity of the stock to help facilitate our reinstatement to that index.

Since the year end results announcement on October 11, there has been a marked increase in the turnover of Nufarm shares – together with an increase of some 25% in the share price – and I am hopeful that this will be sufficient to see us returned to the top 200 index in the near future. However, Standard & Poors – which manages the Australian indices – last week imposed a moratorium on liquidity factor changes pending the introduction of new criteria which will form the basis of future reviews. The position on this might not be clear for some time.

We have made a substantial effort over the past 12 months to increase Nufarm's profile in the investment community. This effort was recognised in September with a highly commended award for best overall investor relations for a non ASX 100 company. Clearly, we must continue to allocate time and resources in this area if we are to achieve fair valuation for shareholders.

I'm also pleased to report that the new capital notes issue, launched on October 29, has been over subscribed. A resolution on this will be put to the meeting shortly. This has allowed us to close the public offer ahead of schedule after securing some NZ\$225 million; \$15 million in excess of the principal issue. We will use these funds to refinance the existing capital notes, which mature in April next year, and to provide additional working capital for the group. The excellent response to the new notes issue is a very positive indication that investors see the company as having a secure and stable future.

I would now like to give you an update on how the company is tracking in the current financial year, which began for Nufarm on August 1.

At the time of the release of the 2001 results, I forecast that we would achieve double digit profit growth in the 2002 year. That forecast was based on a thorough review of the group's business and took into account a degree of uncertainty associated with the global economy and other international events.

Results from the first quarter of operations show that the full year forecast we released in October for 2002 is within reach and I remain confident that it will be achieved.

Importantly, we are already seeing an improvement in the profitability of the Australian crop protection business, with sales ahead of our internal targets for the first three months. While this is very encouraging – and indicates that the initiatives we have taken to rebuild margins in this business are having an impact – it will not be until later in the year that we will see the full benefit of this recovery. We have, however, implemented a number of important price increases; we have secured and strengthened our relationships with the major distributors; and we have approved new marketing programs, and other value-adding measures – to achieve an improved result by year's end.

Elsewhere in the crop protection business, sales are generally tracking in line with expectations. It is very early in the season – with the key selling periods for our products coinciding in both the southern and northern hemisphere markets. North American sales are slightly down on budget at present but this business will pick up over the next few months and will benefit from a continued investment by Nufarm aimed at consolidating our position in the key US market. I've already made mention, for example, of the increased sales force we now have operating in the United States, following the acquisition of Agtrol.

Collectively, our European based businesses are also generally in line with budget, with strong early results from both the Austrian and Netherlands operations compensating for a slower seasonal start in Southern Europe.

In the medium term, the prospects for continued growth in the crop protection business are very strong. We have a number of new product registrations coming through in various markets around the world; we have identified several new products which are now being developed; and we have put in place important operational bases to launch new business in valuable markets such as Latin America and North East Asia.

The various businesses which make up our industrial, fine and performance chemicals division are also tracking in line with expectations. We had allowed for marginally lower returns from some of those businesses.

The progress we have achieved in the first quarter must be sustained over the full 12 months. The initiatives we have put in place – and the strategies we have developed – are not only critical for the 2002 period, but also for future years.

In closing, I would like to acknowledge the ongoing support of shareholders, the valuable contribution of the Board and the commitment of Nufarm employees the world over.

We will maintain our focus on producing strong results and enhancing the financial strength of the group; and we will remain ambitious in terms of the opportunities we pursue to build Nufarm into an even more successful company.

Thank you. I now hand back to the Chairman.