



**Managing Director's Address
to the Annual General Meeting of Shareholders - Melbourne
Thursday, December 12, 2002 at 10.00 am**

D J Rathbone

Thank you for your attendance at this year's AGM and for your continued support of Nufarm.

It's pleasing to be able to report on a year in which the company achieved record revenues and profit.

The 2002 net profit of \$56.8 million represents an 11% increase on the previous year's operating profit of \$51.1 million. Of course, in that previous period, we accounted for the write down of the Canadian sulfur works business and reported a group loss of \$4.5 million. The sulfur works business has since been sold and the financial impact of the losses it generated is behind us.

During 2002, we grew earnings per share by 11% - to 36.7 cents and maintained the full year dividend at 18 cents per share, fully franked.

The \$56.8 million profit was achieved on total group sales of \$1.43 billion; 8% up on the 2001 period and a record revenue number for the company.

Crop protection contributed 73% of total group revenues. That percentage will continue to grow as we pursue a strategy of focusing on this part of the business, and make sensible divestments of non-core assets and businesses.

Crop protection sales were up 13% to \$1.04 billion, and – importantly – pre tax operating profit from those operations was up 15% to \$118.3 million.

Sales of industrial, fine and performance chemicals dropped 5% to \$385 million, with the January 2001 sale of the timber treatment business contributing to that reduction. The pre-tax profit contribution from this part of the business was \$31.3 million.

We are building a truly global company. Some 53% of all sales were recorded in markets outside of Australasia. The Americas accounted for 27% of revenues, and Europe 26%.

We now manufacture in 13 countries; our more than 2,300 employees are based in some 20 countries and Nufarm product is sold in more than 100 countries around the world.

We are market leaders in crop protection in Australia and New Zealand; and in a number of product positions on a global basis.

This global presence provides a strong platform for further international expansion, and was a major contributing factor to the company's performance over the 12 months to the end of last July.

The 2002 results were achieved during a period of very challenging trading conditions.

Our crop protection business was impacted by the early effects of the current drought here in Australia; and by later than normal seasons in other key markets. Economic conditions – particularly those in the United States – also dampened demand for a number of products produced by our performance and fine chemicals operations.

Against this background, the 2002 record profit is a creditable outcome and reinforces the value of focusing on some key areas of the business during that period.

There has been a strong focus on margin improvement. This has been achieved via a combination of stronger pricing; improved and more secure access to distribution; and a range of initiatives to make the business more efficient.

While we were able to achieve stronger margins across the business as a whole, the real benefit of this was most evident in the Australian crop protection business which contributed a significantly improved profit performance during the 2002 financial year.

The drought conditions impacted sales in a number of key cropping regions, but we were able to exceed budgeted sales in areas where demand held up, which – combined with stronger margins – helped compensate for the impact of the drought and enabled the business to achieve a very good result.

I'll say more about the continued impact of the drought on the Australian business a little later.

We also completed a deal with Monsanto Company which sees Nufarm take over the supply and marketing of 'Roundup' in Australia and New Zealand. 'Roundup' is the world's biggest selling crop protection product and provides us with a very powerful brand with which to strengthen our position in the local market.

Asia has been targeted as a key growth market for Nufarm and in 2002 we increased sales into this region by some 60%. We have operations based in Indonesia and Malaysia; and market development offices in both China and Japan.

In North America, seasonal factors impacted both demand and timing for agricultural chemicals usage in Canada and parts of the United States. In spite of this, Nufarm achieved sales growth in both markets.

The United States remains a key plank in the company's global expansion plans and we are now seeing an increased recognition and acceptance of the Nufarm brand. The 2001 purchase of the Agtrol fungicides business has given Nufarm a broader and more attractive product range and this was used to good advantage in expanding sales in various market sectors, such as citrus and vines.

We will continue to reinvest in new product registrations and other resources to take advantage of the immense potential for Nufarm in the US market.

We are also strongly represented in the US turf and specialty business – where crop protection products are used in home lawn care, golf courses, municipal parks, and niche areas of the forestry and aquatic market sectors.

Nufarm's Riverdale subsidiary is a significant player in this business and, in 2002, grew sales by some 7%. The generally depressed economic conditions in the US had an adverse impact on this business, but its brands, product range and access to market continue to strengthen.

Europe returned mixed results on a market by market basis, but grew both sales and profit as a whole.

France had a late season and experienced regulatory related pressures on several products. Fungicide sales were strong, however. Spain had another good year and is proving to be a valuable market for Nufarm. In 2002 we acquired a small business in Portugal to extend our reach in that part of southern Europe.

The UK, Italy and Greece all showed growth, especially with branded product sales.

Overall, the 2002 financial year saw Nufarm consolidate its position as a leading crop protection company, with increased sales in all key markets and an improved profit outcome.

In the industrial chemicals area, which represented some 23% of group turnover, the SEAC pharmaceutical intermediates business increased revenues by 28% and generated an improved profit.

The US based Lobeco Products subsidiary, however, suffered a 30% reduction in sales caused by a lower demand for automotive paints and other specialised pigments. Cost reduction measures implemented at Lobeco contained the profit impact, but we are looking for an improved performance from this business in the current year.

The performance chemicals business had mixed results, but a management reorganisation and a number of new products will also see a stronger return in this area in 2003.

Our West Australian based chlor alkali plants – which we operate in a joint venture with Coogee Chemicals – continued to meet our internal performance hurdles. These are valuable assets which leverage chemical manufacturing technology used in our crop protection operations.

Post the 2002 financial year end, we announced the sale of the Fernz chemical trading business to Orica Limited. Again, this is consistent with the company's strategy of focusing on our crop protection operations and those parts of the industrial chemicals business which have strategic long term value for the group.

The \$60 million sale price represents good value for a trading business which could not take advantage of Nufarm's strengths in chemical manufacturing and which we could not geographically expand beyond Australia and New Zealand.

The sale also provided capital which has been utilized to help acquire Crop Care Australasia Pty Ltd. Nufarm assumed control of Crop Care at the beginning of November and we are well advanced on our plans to return this business to sustainable profitability.

Crop Care is a respected brand and has valuable positions in a number of important market sectors which offer new opportunities for Nufarm.

This acquisition consolidates our position as the leading crop protection company in Australia and will be earnings per share positive in this, the 2003 financial year.

Nufarm has a long track record of achieving both sales and profit growth. These slides graphically illustrate that growth. We believe additional growth is both possible and necessary in order for Nufarm to generate the best possible returns for shareholders.

Having recently completed the 'Roundup' and Crop Care deals here in Australia, that growth is now likely to be focused on our international operations, where we have the opportunity to expand into new geographic markets and broaden our product portfolio.

To that end, we recently announced the acquisition of marketing rights to a proprietary herbicide for both Germany and Belgium. This product became available due to a requirement for Bayer and Aventis to divest certain products and product rights as a condition of approval for their merger.

The product is covered by patent protection until 2010 and will generate some very healthy margins. It is a market leader in the sector into which it is sold and guarantees Nufarm access to distribution channels in Germany, which is Europe's second largest crop protection market behind France.

We are now moving to establish a sales and marketing force in Germany so as to take full advantage of this product and to pull through sales of other Nufarm crop protection products.

It is important that we remain alert to opportunities such as this.

A stronger, more broadly based business helps protect Nufarm against the impact of adverse seasonal conditions in any one market. This will be reinforced in the current year as we absorb the impact of severe drought conditions here in Australia, yet we are still able to be confident of posting positive sales and profit growth.

There is no denying that our Australian business is suffering because of the drought. Sales in Australia in the first quarter are down on budget, especially in NSW, Queensland and Western Australia.

The extent of the impact will be determined by when adequate rain is received in key broad acre farming regions for next year's winter crop.

The majority of Nufarm's sales and profit is generated in the last 6 months of our financial year; and in particular the period from March through to July. Like most of Australia's farmers – and the country in general – we will be looking for soaking rains during that period to allow farmers to prepare their fields and sow crops.

Due to the seasonal nature of our business, the lower first half sales will have a disproportionate impact on the company's six month results to the end of January, and I anticipate we will be reporting a loss for that period.

We are – however – maintaining our forecast for profit growth for the full year, as experience shows that plantings will be very strong when the season turns for the better and we will have the opportunity of making up that lost ground in the last six months of the year.

The first quarter results for the remainder of the business are generally in line with internal expectations, and in some cases ahead.

Crop Protection sales in North America for the first quarter were ahead of budget. We anticipate that both Canada and the USA will generate results ahead of their 2002 numbers and all indications at present are that this will be achieved.

The US based turf and specialty business has made a slower start, but is close to budget.

Europe is also showing positive signs for a solid full year performance, with indications of stronger margins in France and the contribution from the new product acquisition in Germany and Belgium.

We are slightly ahead of budgeted profit in the Asian operations, mainly due to continuing strong sales in Indonesia.

The performance chemicals business is also tracking on budget for the first quarter, and a review of plant utilization is underway in Europe to enhance productivity and reduce costs. And while the SEAC pharmaceutical intermediates business is slightly down due to the delayed timing of deliveries, this position will be back in line with budget by the half year.

As I have previously stated, the company remains confident that we can deliver earnings growth in the full year. The extent of that growth will be determined by variables such as the impact of the drought on the Australian business, and a variety of factors which drive sales in other key selling regions, including general economic conditions.

We are continuing to drive the business to be more efficient, and synergy benefits from recently completed deals – including the Crop Care acquisition – will flow through and be e.p.s. positive in 2003 before making stronger contributions in the following years.

Over the current 12 months, our attention will be on improving the quality of earnings; addressing balance sheet issues such as working capital; and ensuring that the fundamental strengths of the business are enhanced, which will allow us – over time – to increase shareholder value and returns.

We will continue to stand by the strategy of pursuing growth in our crop protection business. This will include identifying and pursuing acquisition opportunities which we believe add long term sustainable value to the company.

There has been some commentary on Nufarm's relatively high gearing levels. The Board and management are very aware of the need to responsibly manage the company's debt levels and maintain margins safely within the covenants provided to lenders.

To date, debt has been a very appropriate tool to fund expansion of the business. Further acquisition based expansion will be considered in light of all of the options open to Nufarm in terms of funding new acquisitions.

Finally, I would like to acknowledge the commitment and contribution of Nufarm employees. The company now employs more than 2,300 people in its various operations around the world. These people have helped Nufarm earn its reputation as a responsive, 'can-do' organisation which excels in customer service.

They are a very large part of the strength and success of the company.

You can rest assured that the entire Nufarm team will be working hard to deliver another year of record earnings in 2003.

Again, thank you for your support...and your attendance here today.