Managing Director's Address
to the Annual General Meeting of Shareholders - Melbourne
Thursday, December 8, 2005 at 10.00 am

D J Rathbone

Thank you Mr Chairman.

I would like to add my welcome to shareholders who have made the effort to attend today's annual general meeting. Your interest and ongoing support is certainly appreciated.

As the Chairman has acknowledged, the 2005 financial year saw very strong earnings growth and some important progress in terms of establishing a global platform for Nufarm's future profitable expansion.

I will now review the key elements of the 2005 results, before making some general comments on the company's performance for the early part of the current year, and on our prospects going forward.

In 2005, the company generated a 35% increase in tax paid operating profit; and a 29% increase in earnings per share.

Group revenues were up 5%, remembering that we equity account – and therefore do not count the sales – associated with our interest in the new Brazilian business, Agripec. And there was a $50 million revenue impact relating to the divestment of several non core industrial chemical businesses.

Core business crop protection revenues were up by 9%.

Australia contributed some 41% of crop protection revenues and remains the company's largest business and most important profit contributor. The reporting period was characterized by a strong first half performance in Australia and then a very late seasonal break in mid June which followed prolonged dry conditions in all states except Western Australia.

In spite of the late season and its associated challenges, Nufarm was able to capitalize on record July turnover and achieve very close to budgeted sales in Australia for the full year. Our decision to produce and hold sufficient product inventories to meet seasonal demand was therefore vindicated, albeit at the '11th hour'.

This business also benefited from its first full year with the BASF range of products, giving Nufarm a much stronger position in the expanding horticulture segment.

As with other geographies, Australia felt the impact of some higher costs and – given the lateness of the season – we were unable to pass those costs on in the form of higher prices. We will, however, be looking to recover some of that lost margin in the current year.

Our US business again performed very strongly. This business has now generated revenue gains of at least 15%, in local currency, in each of the last three years as it continues to win market share; enhance Nufarm's reputation; and consolidate a growth position in the world's largest crop protection market.

Given the planned expansion of our product portfolio, and additional penetration into the US distribution base, there remains substantial scope for additional growth in this business.

In the mainstream US ag sector, Nufarm achieved higher shares in both of its core product offerings – glyphosate and phenoxy herbicides. Several new product registrations also contributed to the 2005 performance.

The turf and specialty business also experienced strong growth, particularly in the formulator and industrial vegetative management – or IVM – segments.

In South America, Nufarm completed an important investment in Brazil – the world's second largest crop protection market – and grew sales in other regional markets such as Argentina and Chile.

The acquisition of a 49.9% stake in Brazilian crop protection company Agripec came after a lengthy assessment of the opportunities to increase our presence in this important market.

While Nufarm had already achieved product registrations and some sales in Brazil, this investment provides a much more substantial exposure to the medium to long term growth prospects that will flow from continued expansion of agriculture in Brazil.

The $19.1 million equity accounted profit from Agripec was below our upgraded guidance (given at the half year) but is never-the-less a very solid contribution that met our return hurdles associated with this investment.

The major European businesses in France, Germany and the UK all achieved increased sales in 2005. And – despite widespread drought conditions in Spain that led to a downturn in industry sales – our business there also experienced marginal growth and a better profit performance.

The realignment of the French crop protection business resulted in increased sales of Nufarm branded product and an associated improvement in margins.

There remains further work to do in France to lower head office costs and this is being addressed. The existing head office structure is, in part, a carry-over from when the company operated a larger number of businesses in France.

The divestment last year of both the SEAC pharmaceutical intermediates business and Nufarm Specialty Products has achieved the desired outcome of a much more focused position in crop protection.

I would also like to update shareholders with the news that we recently appointed a new general manager of France and Southern Europe. Alain Chalandon – who comes to Nufarm with considerable experience in the industry and a valuable network of relationships – commenced with the company in October.

I met again with Alain while I was in Europe recently and he is making an impressive start in this important role.

Alain's appointment reflects the fact that Nufarm – with its expanding geographic presence and industry leading growth rate – is now seen as an attractive employment option for senior global industry executives.

In summary, the crop protection business generated very solid results in the 2005 year. As always, seasonal conditions helped influence sales and earnings contributions in specific markets, but the company's increasingly diverse geographic exposure helped manage those impacts.

We met our revised market guidance in terms of growth in operating profit, with a stronger than anticipated outcome from the overall business offsetting the slightly lower than anticipated contribution from Agripec in Brazil.

We completed the divestment of non core businesses, with sales of both the SEAC and Nufarm Specialty Products businesses completed during the period. Crop protection comprised 95% of total revenues and contributed a 17% increase in divisional operating profit.

These results helped drive a 17.4% return on funds employed – keeping Nufarm in the top quartile of Australian listed companies on that measurement – and supported the decision to increase the full year dividend to 26 cents.

Let me now turn to some commentary on the performance of the business during the first quarter of the 2006 financial year – the August to October period. It again needs to be emphasized that this is the quietest sales period for the company and, as such, gives a limited indication of where we will be at year end.

The past few months have seen generally positive seasonal conditions in Australia. There have been good rainfalls across most of the continent and this is encouraging strong demand for crop protection products used in summer crops, including sorghum and cotton.

Cotton plantings, in particular, have responded to good rains and we will see a much larger cotton crop in Australia than in the past two years.

With comparatively high industry stock levels in the pipeline as a result of the very late seasonal break for the winter crop, it has taken a couple of months for sales activity to reflect this strong demand.

Recent price increases will see the company retrieve some margin loss suffered in the Australian business last year.

For the first three months, total sales in the Australian businesses are approximately in line with sales for the same period last year.

Sales in New Zealand and in Asia are tracking ahead of last year.

The European businesses are ahead of first quarter forecasts, with France, the UK and Germany all generating strong early season branded product sales.

In the US, sales are below budget for the first quarter but this is a timing issue that should come into line by the end of the first half. The US ag business has also put through price increases on core products with the objective of seeing margin improvement over the course of the full year.

The company recently announced a small acquisition in Colombia. The purchase of Agrogen gives Nufarm an excellent business and manufacturing base for further expansion into the Andean region markets.

Contracts relating to that acquisition have now been signed and final completion is now tied to the formality of an approval from Colombian anti trust authorities, expected to be received within the next month.

It is now apparent that total Brazilian crop protection sales will be down on the record industry sales achieved in the 2004 year. An over supply of fungicides, in particular, resulted in the distribution pipeline being well stocked as this year's major selling season commenced.

While seasonal conditions are favourable, latest estimates are that soybean plantings, which are now well underway, will be down by some 7% on the previous year. The strong appreciation of the Brazilian currency against the US dollar means that soy farmers have not received as much income for their crop and this is having a flow-through impact on their capacity to spend. This, in turn, has implications relating to the extension of credit and the timing of payment collections.

Agripec operates under strict guidelines in terms of credit and collections. In the current market circumstances, Agripec will step away from a number of previously budgeted sales and this will result in a lower sales outcome – and consequent profit contribution – from Agripec than had been originally forecast.

Our current expectations for Brazil are that Agripec's net contribution for the full year may be ten to twenty percent down on last year. This includes the impact of an additional five months of funding costs for this investment that will be incurred this year.

This position – which will be closely monitored throughout the balance of the year – is reflective of the inherent volatility in developing markets such as Brazil.

We remain very comfortable with the medium to long term growth prospects of Agripec; and the decision to invest in that business has added and will continue to add value to Nufarm.

The lower than anticipated contribution from Agripec will restrict first half group net operating profit to approximately $30 million. This compares to the 2005 interim profit of $36 million when adjusted for the new IFRIS accounting standards.

While the company's earnings remain heavily weighted to the second half of our financial year – when most of Nufarm's markets experience their major crop planting seasons – the addition of earnings from Brazil is providing some meaningful first half contributions.

With anticipated above budget earnings from our fully owned businesses in global markets other than Brazil - and the much stronger nature of our second half - we remain confident that the targeted 10% net earnings growth for the full year will be achieved.

While this represents a challenge, the North American and European businesses are well placed to deliver strong results for the full year, and a return to more normal seasonal conditions in Australia will improve earnings in the domestic business.

Looking further ahead … we have a strong pipeline of new product registrations in train and these will deliver additional opportunities in many of our global markets in coming years.

We have this week submitted our technical application for the insecticide imidacloprid to the US registration authorities. This product – a major insecticide and the world's second largest selling crop protection product – comes off patent in most markets early next year. Nufarm anticipates regulatory approval to sell imidacloprid by the third quarter of the 2006 calendar year.

We are also evaluating opportunities to access other products via commercial arrangements with other companies; and we continue to assess a range of interesting potential acquisitions involving both products and businesses.

While the major elements of our geographic expansion plans are now in place, we still see new growth opportunities in emerging markets such as eastern Europe, with our near term focus being on the new European Union accession countries. As always … we will carefully evaluate and manage any particular risks associated with investments in specific markets.

The expanded reach of Nufarm into crop protection markets around the world provides the company with a very solid platform for profitable growth. Our ability to continue feeding those businesses new products will help ensure that this growth is sustained well into the future.

The share price performance over the past 12 months has been very satisfactory. Nufarm now sits just outside the top 100 Australian companies on market capitalization; and is 'within sight' of future inclusion in the S&P/ASX 100 index. We have broad sell-side research coverage on the company and a share register that includes ownership by a large cross section of quality Australian institutional investors.

We are now marketing the company to investment managers in Asia, Europe and the United States and we have participated in a number of international investment conferences.

Given the increasingly global composition of the business and a relatively low proportion of ownership by foreign institutions, there is certainly scope to broaden overseas based shareholdings in the company. This will enhance our ability to secure capital for future expansion of the business … should that be appropriate.

Finally, I would like to again acknowledge the support and loyalty of our smaller shareholders, many of whom have owned Nufarm (and previously Fernz Corporation) for many years.

I'll now hand back to the Chairman…..