



Managing Director's Address
to the Annual General Meeting of Shareholders - Melbourne
Thursday, December 7, 2006 at 10.00 am

D J Rathbone

Thank you Mr Curlewis.

It is pleasing to see a number of our shareholders here this morning and I would like to welcome you – and other associates and people with an interest in Nufarm – to this morning's Annual General Meeting.

I will take the opportunity today to review the performance of the company for the 12 months to July 31 2006; to update shareholders on how the business is currently tracking and our general outlook for the 2007 financial year; and to discuss some of the broader strategic opportunities for Nufarm.

As the deputy Chairman has said, the 2006 financial year was one of mixed fortunes for the business.

There was a substantial decline in the profit contribution from our equity interest in Agripec in Brazil, somewhat overshadowing the strong growth achieved in our wholly owned crop protection businesses.

A tax paid operating profit of \$121.1 million compares with \$121.7 million in 2005. That 2005 result, however, included a contribution from Agripec of \$26.9 million. A sharp downturn in the Brazilian farm economy resulted in that contribution being reduced to just under \$2 million in the 2006 year.

Nufarm has a 49.9% interest in Agripec and that interest is equity accounted.

A combination of a stronger Brazilian currency; lower incomes for Brazilian farmers; a credit squeeze in the agricultural economy; and additional risk management measures taken by Agripec, and other farm input suppliers, to ensure payments were received placed substantial pressure on the crop protection business in Brazil over the course of our 2006 financial year.

Industry sales were down...and margins were reduced as suppliers competed for fewer sales opportunities.

With lower than anticipated income from the sale of their crops, farmers were slower in making payments and input suppliers such as Agripec provided certain incentives, such as discounts, to ensure payment was eventually secured.

Agripec also opted not to make sales to some distributors while payments remained outstanding. This meant that fewer sales were made in the last few months of Nufarm's financial year.

Clearly, it has been a very challenging period for Agripec – and the industry in general – in Brazil and underlines the need for caution when expanding into developing markets around the world.

Having said that, we remain very confident in the quality of the Agripec business and we continue to work with Agripec management to expand the product portfolio and place the company in the best possible position to take advantage of the anticipated recovery in the Brazilian farm sector.

We also remain comfortable with our decision to invest shareholder funds in Brazil.

With agricultural production demand drivers continuing to be very strong, Brazil remains a market with the potential to see substantial growth in its cropping activities.

We take a medium to long term view on the returns that can be generated from this investment and we will remain focused on managing the risks and contributing to the development of a stronger and more successful business.

While the lower Agripec profit contribution was a 'negative' in 2006, the remainder of the business performed very strongly, particularly in our key growth markets of North America and Europe.

Our wholly owned crop protection businesses generated 26% net profit growth...an excellent outcome, and a clear indication that Nufarm's strategy of establishing and consolidating operations in major overseas markets, and then expanding our product offerings, is succeeding.

The North American operations recorded 20% revenue growth, with improved pricing and new product introductions driving margin improvement and a strong profit performance.

Nufarm increased its market share in glyphosate in the US and also saw better returns from sales of phenoxy herbicides.

The registration and successful launch of 'Nuprid' – an important new insecticide position for Nufarm – has been well received by our distribution customers and was achieved ahead of schedule.

Canadian sales were also up strongly – some 50% higher – with a new grass herbicide, 'Assert' - acquired from BASF - being the major driver.

Putting Brazil to one side, the company also generated increased sales in other Latin American markets during the 2006 financial year.

The acquisition – some 12 months ago – of the Agrogen business in Colombia has given Nufarm an excellent base in the expanding Andean region.

Our team in Argentina also achieved higher top line revenues, but margins remained under pressure due to low regulatory barriers. The recent introduction of some differentiated products in Argentina will certainly assist the future profitability of that business.

Regulatory issues were also significant in Chile in that 12 month period, with a significant disruption to the local system causing a delay in the approval of a number of new Nufarm products.

The European businesses benefited from increased sales of higher margin products and greatly improved manufacturing efficiencies resulting from the reorganisation of some of the European based production facilities.

Overall sales were up 5% on the previous year, with a particularly strong sales performance from the German business and increased penetration into a number of growing East European markets.

Our positions in the major markets of France, the UK and Spain also returned solid outcomes, with various new herbicide mixture and fungicide products helping Nufarm achieve bigger portfolio positions in those markets.

In September, we also announced the acquisition of a business in Italy. We are confident that we can quickly grow sales in Italy by leveraging our global position in several key products into the existing business.

Looking back more generally on the 2006 year, it is worth noting that Nufarm achieved increased market shares in most of its major overseas markets against a backdrop of challenging – and late – seasonal conditions.

It is generally viewed that industry wide sales were down by some 5% on the previous 12 month period.

Nufarm's strong and growing position in glyphosate; our ability to achieve higher margins on our phenoxy business; and the introduction of many new products have combined to see Nufarm achieve an excellent outcome in a lower sales period for the industry.

Now moving closer to home ...the Australasian businesses also performed well.

Sales in Asia were up by about 10%, while New Zealand sales were in line with the previous year due to some adverse seasonal conditions and pressure in some important segments such as apples.

In Australia, we again saw a late rain break for the sowing of the winter cereal crop. It was a very mixed season in Australia and the business did well to achieve an improved profit performance on slightly lower sales than in 2005.

Our export sales of 2,4-D were stronger and sales into higher margin segments, including forestry, certainly helped the overall position.

In terms of the key financial parameters, our earnings per share were approximately the same as in 2005 (60.3 cents versus a comparable 60.5 cents).

Return on funds employed was a creditable 17.8%. This is a key performance indicator for the company and we believe we can maintain returns measured on this basis at the upper end of the fifteen to twenty percent range.

2006 year saw gearing up slightly (at 81% versus the 78% posted in 2005).

Your Board approved an increase in the final dividend; a fully franked 20 cents compared to the previous year's 17 cents. This moved the full year dividend up 15% to 30 cents.

I would now like to update shareholders on how business is tracking during the early part of our 2007 financial year.

The August to September period is the quietest sales period for the company, due to the seasonal nature of our business. However, a number of factors are impacting current performance and we will be looking for indications of some recovery as the year progresses.

You will be well aware that Australia is experiencing very serious drought conditions. As Australia's largest farm inputs company, we are very mindful of the challenges facing our rural producers in what are clearly very tough times.

The immediate relevance for Nufarm's business is that the lack of rain is restricting summer cropping activity in the northern regions of Australia.

While summer cropping is, by far, the smaller of our agricultural seasons in terms of plantings and production, it never-the-less can be an important driver of first half sales and profit for Nufarm's Australian business.

Summer cropping conditions were quite positive in the first six months of our 2006 financial year ...that will not be the case in the current year.

While some sorghum has been planted in northern NSW and southern Queensland, cotton plantings are down significantly due to reduced river flows and very low storage levels in regional dams. And many farmers will opt not to plant crops in order to conserve what subsoil moisture exists in the hope that conditions improve for the major winter plantings in the April to June period next year.

Experience tells us that these very challenging conditions – and the resultant pressures on our business – can change dramatically if good rains are received through the autumn period next year.

We have previously seen very large cropping activity in the period immediately following a drought as farmers look to generate cash returns as quickly as possible.

With due regard to controlling costs and inventory, our Australian business will be prepared to meet that demand, when it eventuates.

The other pressure point on the company continues to be our interests in Brazil. I was in Brazil last week and can report that there are promising signs of a steady recovery in the Brazilian farm sector, albeit we believe the recovery is likely to be gradual.

With a recently re-elected National government, it remains to be seen to what extent promised government assistance will improve credit lines for farmers and – subsequently – the security of payment for agricultural input companies.

As has been forecast, plantings of soybean – where Agripec has its largest sales exposure – are likely to be down on last year.

The early seasonal conditions, however, are quite reasonable...and there has been some recovery in certain commodity prices – including soy – that will be of benefit to Brazilian growers. While it has remained relatively strong, the Brazilian currency has also been more stable.

As we said when releasing the 2006 full year results in late September, we expect an improved contribution from our interest in Agripec in 2007.

The first half contribution from Agripec in 2006, and the profit generated by very good summer cropping conditions in Australia in that six month period, were the major components of our interim profit number last year.

It follows that with lower first half contributions from both of those businesses, the company now expects to post an interim net profit in the range of twelve to fifteen million dollars.

While our North American and European businesses are generally in line with expectations over the first three months of the year, I would again emphasise that this is a very quiet period for sales in both regions.

The Nufarm position on 'Nuprid' – our newly launched insecticide product – has been very well received by US distribution and we continue to view this project very positively.

We are seeing some strong pricing competition in the US as the larger companies, with a calendar year end financial reporting period, look to push sales to improve their positions. We will hold pricing on our key products and focus on the major selling period which gets underway in the first quarter of 2007.

North Eastern Europe has had an excellent first three months, with both sales and EBIT ahead of budget.

A recent decision to initiate direct distribution of our products in the Netherlands has received a positive response from customers and the portfolio in Germany and several Eastern European countries has been strengthened with new product registrations.

South Western Europe has also had a solid first quarter, with good seasonal conditions in France and Spain and strong early sales in the UK.

We recently announced a small acquisition in Italy. The early stages of the integration of that business are progressing to plan and we will see meaningful sales in that market as we add some of Nufarm's product positions to the existing portfolio.

We anticipate that the North American and European businesses will perform very strongly over the course of the full year, with additional product introductions scheduled for a number of markets across those regions.

The current seasonal challenges in Australia – and the economic pressures in Brazil – underline the importance of having a global business.

You can be assured that management will be looking to extract the best possible results from those markets where selling conditions are positive and the company's growth prospects remain very strong.

We do not believe – at this point – that any revision is required to our full year profit guidance of approximately 8% net profit growth. We will, of course, review business conditions in Australia – and across the entire business - when we release our interim results in March.

Within the past month, Nufarm has successfully completed a \$250 million hybrid issue in the form of 'Nufarm Step-up Securities'. These have replaced the old capital notes. The new securities have significant structural advantages over the capital notes and have allowed Nufarm to efficiently access the Australian institutional capital market.

The share price has not performed strongly in the 12 months since the last AGM, reflecting some of the current pressures on the business. The previous 12 months had seen a significant and very positive re-rating of Nufarm's share price.

Like most agricultural stocks with a substantial exposure in Australia, Nufarm has underperformed the ASX200 index during the course of this year.

It has been encouraging, however, to see a number of large value-based institutional investors take positions on our register, as well as several large overseas investors. Clearly, these funds are looking beyond the current seasonal challenges and have confidence in the medium to long term growth opportunities for the company.

One of those growth opportunities lies in our increased involvement in the seeds business.

During the past 12 months, Nufarm has made a number of investments in this sector.

The global seeds business is a growing industry that is embracing new technologies and becoming more specialised. Like a number of other crop protection companies, Nufarm has the potential to capitalise on the link between our chemistry positions and the increased value-adding relating to hybrid and specialty seeds, seed treatment and biotechnology.

Our initial investments have given Nufarm a strong position in the Australian canola seeds segment. Given Nufarm's strong leadership position in our core crop protection business here in Australia, the seeds investments are a logical new growth platform into which we can leverage our strong brand awareness and excellent access to market.

We will continue to evaluate other opportunities in the seeds sector as we look to generate a meaningful contribution from these investments over the next few years.

Before concluding, I would like to take the opportunity today to thank all Nufarm employees for their continued commitment to the business, and their efforts over the past 12 months.

We operate in a competitive environment and – as is now apparent – we must work hard to ensure the business can cope with adverse seasonal conditions from time to time. An experienced, resilient, loyal and very capable team of people is an invaluable asset in that regard.

I would also like to acknowledge the contribution and guidance of my Board colleagues. You can be confident that, as shareholders in Nufarm, you have an engaged and very insightful group of independent directors.

I will now hand back to Mr Curlewis.