



**Chairman's Address  
to the Annual General Meeting of Shareholders - Melbourne  
Thursday, December 11, 2003 at 10.00 am**

**K M Hoggard**

The Directors believe that the operating result achieved in the 2003 financial year was very good. The continued growth in operating earnings was at the higher end of market expectations, and the strong cash flow generated enabled a significant reduction in debt, and an improvement in the Company's gearing.

These results were particularly pleasing when the severity of the drought conditions in the important Australian market in the first seven months of the year are recognised. At the end of the 2002 calendar year the Company had to face some difficult decisions as the drought continued. Management convinced the Board to maintain full manufacture in the production facilities in spite of the high inventory levels on hand and the adverse impact of those stocks on gearing and debt levels. When the drought did break the Company was in a very strong position to meet unprecedented levels of demand from the market.

This slide, which shows the impact of the changes in demand for just one product – Glyphosate – when the drought broke, was a vindication of the confidence that Management had at that time. Had production been curtailed late in the 2002 calendar year the Company could not have met the demand.

Following the preliminary announcement of the full year results for the 2003 financial year it was gratifying to see the sharemarket re-rate the stock and remove some of the significant discount the shares were trading at. It is now clear that the market is beginning to be convinced of the sustainability of earnings growth. More conservative gearing levels than the Company has traditionally traded at, will see further improvement in share price. That is an objective in the current financial year.

During the past 12 months the Company has carefully considered the best practice recommendations for good corporate governance. All of the recommendations have been reviewed and addressed by the company, and our position has been detailed in the Annual Report. In some circumstances, it has been appropriate to provide an explanation of why Nufarm does not conform with certain of the recommendations, but the Board is firmly of the view that we have adopted an approach which takes account of the company's history and structure, and is – in every respect – in the best interests of shareholders.

As some of the detailed policies are developed and refined during this financial year, they will be posted to the Company website.

I will now ask Mr Rathbone to address the operations of the Company and its prospects for the future in more detail.



**Managing Director's Address  
to the Annual General Meeting of Shareholders - Melbourne  
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**D J Rathbone**

Thank you Mr Chairman.

And I would like to add my welcome to shareholders who have attended today's meeting, as well as others who have an interest in Nufarm's business. Your continued support of the company is certainly appreciated.

The 2003 results – which were released in October – reflect the strength and resilience of Nufarm, and are testament to the strategy of maintaining a strong focus on growing our core crop protection business.

The record operating profit of \$64.3 million is up 13% on the previous year and was generated on sales of just under \$1.46 billion, which is an increase of 2% on the 2002 full year sales revenue.

This underlines our determination to drive growth at the profit level.

Clearly, top line sales growth is desirable – and necessary. But there is a strong emphasis in the business on improving the quality of earnings. To that end, we were able to achieve a greater level of efficiency in certain areas of the business; and the acquisitions and expansion activity provided opportunities to remove costs and realise a number of important synergies.

Earnings per share also increased by 13%, up to 41.3 cents per share.

These results were achieved against a background of challenging trading conditions, especially here in Australia which experienced a widespread and severe drought during that period.

Crop protection sales at \$1.24 billion represented 85% of total revenues, and were 18% higher than in the previous year. Following a divestment, sales in the industrial chemicals division were down by 42% to \$222 million.

The 2003 revenues were split 50/50 between businesses based in Australia and New Zealand; and businesses based in other regions. Nufarm is a truly global company, with the company's products being sold into more than 100 countries around the world.

In our crop protection business, Nufarm consolidated its market leadership positions in Australia and New Zealand.

The Australian results included strong growth in both sales and profit. The first six months of the year were extremely difficult given the drought conditions, but management took the decision to build inventory levels in order to meet anticipated strong demand for product when conditions improved.

And they did.

We were then in a position to respond to unprecedented demand for key products such as 'Roundup' as farmers undertook widespread planting activity across the broad acre growing regions.

Our ability to take advantage of the drought recovery was considerably strengthened by the addition of the 'Roundup' products; and by the acquisition of the Crop Care business, which was purchased from Orica in November 2002.

'Roundup' is the strongest brand in the global crop protection market. Nufarm now markets the 'Roundup' brand in Australia, New Zealand and the Pacific Islands. In the 2003 year, we grew our overall market share in glyphosate (the active ingredient in 'Roundup') and – importantly – we pushed out a much higher proportion of our total glyphosate sales via the Roundup brand, which attracts a premium in pricing and margins.

We also launched a new Roundup product during the year – Roundup Powermax – which received a very enthusiastic response from the market and builds on Nufarm's ability to continue to differentiate product and meet the changing needs of growers.

Crop Care has proved to be a very successful acquisition.

In just 9 months to the end of the 2003 financial year, we fully integrated the business and generated a profitable result. Given Crop Care had produced trading losses in the previous two years, this is a very positive outcome.

The Crop Care brand has retained its support in the market, and the people who have joined Nufarm as part of that acquisition have proven to be capable, committed and enthusiastic. We were quickly able to realize the synergies associated with this deal, by removing duplicate back-room costs.

The Roundup and Crop Care businesses also contributed to the very strong results in New Zealand. This is now a substantially bigger business and the Nufarm team has risen to the challenge of maintaining a leadership position in that market.

In Asia, crop protection sales were up by 25%...albeit off a small base. The Indonesian business continues to perform well and we are making important inroads in the high value Japanese market.

The 2003 results in the Americas were very encouraging...and represent a solid return on the company's long term plan to establish a valuable presence in the world's largest and fastest growing markets.

Sales into the agriculture sector in the USA were up by more than 25% (in local currency), with a similar improvement in profitability. Our branded phenoxy herbicide products now have strong market shares, and we achieved a substantial increase in glyphosate sales.

Sales in the US turf and specialty market showed some growth, but seasonal conditions were not ideal.

In Canada, Nufarm continued to win market share.

The fast growing South American market represents an important growth opportunity for Nufarm; and 2003 saw initial sales of branded products in Brazil, Argentina and Chile.

The European crop protection business generated mixed results.

We established a new business in Germany after acquiring a proprietary and market leading product from Bayer. Year one sales of 'Ralon' exceeded expectations and helped pull through sales of other Nufarm products in that country.

The UK also showed very strong growth in our branded business. And we achieved budgeted sales into a number of other regional markets such as Spain, Portugal and Greece.

The results in France were disappointing and that part of the business is now receiving close attention as part of a general restructure.

We were also disappointed with the deterioration in margins in our European based methyls business...and we have targeted a shift to more branded sales of methyls products as a key priority for the current year.

In overall terms, the crop protection business performed very strongly. Nufarm continued to build its presence in global markets, while strengthening its Australasian base. We absorbed the impact of adverse seasonal conditions; took full advantage of the post drought recovery; and successfully integrated a number of new products and businesses.

In keeping with our objective of focusing on crop protection, the Fernz specialty chemicals business was divested during the 2003 year, with the capital realised from that sale used to fund the Crop Care acquisition.

Industrial chemicals accounted for 15% of total revenues and 14% of pre tax operating profits.

The result was generally in line with budget, with the South Carolina based Nufarm Specialty Products subsidiary recovering strongly from the previous year. The SEAC pharma intermediates business was down on the 2002 result, but this had been anticipated due to a different mix of projects.

Our chlor alkali plants in Western Australia again made an important contribution; and the performance chemicals range – which is sold into other manufacturing industries – suffered some margin pressure on slightly lower sales.

The 2003 results also included a significant strengthening of the company's balance sheet. Net working capital was reduced by \$102 million. And the net debt to equity ratio at year end was 98%...down from 152% at the end of the 2002 financial year.

Let me state clearly that this aspect of the company's performance – which was welcomed by the market - will be the subject of continued focus. While Nufarm has demonstrated an ability to use debt wisely in order to expand the business – and to comfortably service that debt – the intention is to keep the gearing level in a lower range going forward.

We will manage this in such a way as not to forego those acquisition and collaboration opportunities which will add value to the business and improve overall returns to shareholders.

And those opportunities certainly exist, with a number of deals currently being evaluated by management.

Let me turn now to an update on the company's performance in the current year.

In October, we provided guidance covering a three year forward projection of an average 10% profit growth per year. We remain very confident of achieving that outcome.

In this, the 2004 year, that growth will come from a combination of:

- Solid organic growth in markets such as the USA;
- An improved result from some of the European businesses, including France;
- A further shift towards a higher proportion of branded product sales, which attract higher margins;
- New business associated with a number of product launches; and
- A continued drive to contain costs and achieve improved efficiencies; particularly in our larger businesses such as Australia.

The additional profits which will be generated from these initiatives will help compensate for higher costs in areas such as insurance and the full year overhead associated with new businesses acquired part way through the 2003 period.

Given the increasing proportion of crop protection sales in our overall business, the seasonality of the company's profit cycle is more pronounced.

As in recent years, the profit will be delivered in the second half when cropping activity in our major markets around the world drive higher sales activity.

This position is exaggerated because of divestments we have made in the industrial chemicals division, which is far less seasonal.

The first quarter is our quietest period in terms of sales, and the operating result – although behind forecast – is not indicative of the full year position.

As I have said, we are targeting profit growth in the order of 10% for the full year. We are budgeting, however, to make a loss – similar to that generated last year - at the end of the first six months.

In Australia, the first quarter period saw a contrast of seasonal conditions in different parts of the country. Western Australia has continued to experience virtually ideal conditions and there are now confident predictions of a record wheat crop being harvested in the West.

Many parts of NSW and Queensland, however, were still in need of rain. Water storages are still depleted and this will continue to have an adverse impact on irrigated crops such as cotton and rice.

More recently, good rainfalls have been received in a number of areas and this rainfall is encouraging summer cropping activity and will improve conditions for crop protection sales going forward.

Confidence in the rural sector is generally strong and Nufarm should again benefit from large plantings associated with the major winter crops next year – given, of course, that we receive the necessary seasonal rain.

New Zealand is ahead of budget for the first quarter but is now preparing for some additional competitive pressures in that market. Sales of the Captac capsule – manufactured by the New Zealand health and sciences division -are down due to the reduced sheep flock in Australia.

Asia is also tracking slightly ahead of budget, with strong early sales into both Indonesia and Japan.

In the Americas, the US ag business is on budget and will again achieve strong organic growth in the full year, in part helped by the addition of a number of new products. Record harvests in many US crops are contributing to a very healthy US agriculture sector.

Additional sales of branded products are being made in Brazil, Argentina and Chile and – again – the full year outcome will benefit from an expanded product offering in the South American region.

I made earlier mention of some restructuring activity in France. This revolves around both the manufacturing facilities we operate in that country, and the front end of the business. One of our smaller production facilities is being closed, with the associated activity moved to other locations. We will also be reducing our workforce and making other changes which contribute to more efficient operations.

While this restructure will entail some one-off costs in the current year, these have essentially been provided for, and there are projected savings going forward. Elsewhere in Europe, the first quarter results are consistent with internal forecasts.

The industrial chemical businesses are also meeting expectations for the early part of the year. While a contract has been lost in the specialty products business, opportunities remain to replace this with new projects.

I would also like to remind shareholders that, in the current year, we do not anticipate any material impact from the movement in the exchange rate between the Australian and US dollars.

The business generates profits and costs in both currencies, and we are therefore able to employ business practices which enable us to manage our exchange rate exposure in such a way that it does not negatively impact the company.

We recently announced the sale to the Japanese company, Suntory, of our majority position in the Florigene business. The sale substantially recovers Nufarm's book value relating to this business.

As we said at that time, this reflects a determination to focus our research and development activity in those areas where we have proven strengths, and which deliver shorter term value.

Nufarm has built an industry leading reputation for retaining and building value into existing chemistries. We have developed the innovation and marketing skills to differentiate our products via improvements in areas such as formulation, mixtures, packaging and other enhancements.

The risks and costs associated with basic research are best left to those companies which have the experience and infrastructure to develop pipelines of novel products.

In an industry which is moving more and more to off patented chemistry, the Nufarm positioning – and our ongoing emphasis on regulatory and product development work – is, I believe, precisely the right positioning to capture maximum value for Nufarm shareholders.

The company's share price performance over the past 12 months represents a substantial improvement. For most of that period, we have tracked in line with the S&P/ASX 200 index and ahead of the materials index (of which Nufarm is a part); and over the past three months we have outperformed both of those indices.

It has taken longer than we anticipated for Nufarm to gain the visibility and support in the market that I believe the company deserves. I recognise that, since the migration in early 2000, the Australian market has only seen four annual results, and has largely ignored the consistent and very creditable track record of sales and earnings growth achieved in New Zealand prior to migration.

I also recognise that we operate in an industry which has no relevant peer comparison in terms of other listed Australian companies; and that issues such as the pronounced seasonality of profit between the first and second halves takes some time for investors to understand and be comfortable with.

Your support as shareholders is very much appreciated.

Nufarm remains ambitious in terms of expanding our global reach and growing into new industry sectors. There are many new opportunities for us to consider, but we will continue to critically evaluate those opportunities and, in doing so, will apply strict economic and strategic criteria.

Your board looks to the future with a good deal of confidence.