



**Chairman's Address
to the Annual General Meeting of Shareholders - Melbourne
Thursday, December 3, 2009 at 10.00 am**

K M Hoggard

Ladies and Gentlemen

The trading result for the Company's financial year ended July 31, 2009 has to be viewed as a poor quality performance. It is also particularly disappointing because over the previous 20 years the Company has recorded consistent growth in operating profitability and has invariably met the forecasts provided to the market.

This is in spite of the fact that Nufarm's profitability is difficult to forecast because, in addition to the normal business risks and exchange movements, this company has extreme seasonal and climatic factors which can influence performance.

It would be inappropriate to address this meeting and make excuses for that performance as quite simply there were a combination of market changes and - with the benefit of hindsight - some misjudgements which had a very adverse impact on the result. It is however, important that shareholders understand the major reasons for the 2009 performance.

To a very large extent the critical aspects involved trading in the Glyphosate market. This is the Company's largest individual product and represents between 35% and 40% of our total international sales.

In the second half of the 2008 financial year Glyphosate raw material supply was very tight and the Company was unable to meet some of our customer demand. The price of raw materials rose by over 400% and product was purchased late in the 2008 fourth quarter to ensure customers would be supplied in the 2009 year. Much of this high priced product was in stock at July 31, 2008.

Our market intelligence failed to recognise that in this same period new productive capacity (particularly in China) had been commissioned and world productive capacity rose to well in excess of demand. As a result, the price of these raw materials dropped rapidly to return to previous levels.

Whilst it is no consolation... the world's leading glyphosate suppliers all found themselves in the same position.

New stock was purchased at these lower numbers and the Company endeavoured to average down the value of stock on hand and maintain selling prices based on these revised costs.

Demand for finished product to end users also fell as a result of the international economic environment and reduced grower requirements based on climatic conditions.

In the final quarter of the 2009 year both volumes and selling prices fell dramatically and traders, particularly in the US market, were able to purchase low price raw materials, have this product toll converted and sold direct to large farmers and farming groups.

The result for the Company was trading losses on product sold and again unacceptably high stock levels which were written down to net realisable value at July 31, 2009. This product has been sold in the first half of the 2010 financial year.

The combination of these factors resulted in the profitability of the Company falling well short of budget and also had a very adverse impact on cash flow and the balance sheet ratios.

The other major individual item was in Brazil where the business was significantly impacted by credit related pressures.

The impact of all of this is clear in our geographical segment reporting note where the results in North America and south America are well below what was achieved in the previous year.

The question is, what does this mean for 2010 and the future.

From a Nufarm perspective in 2010, glyphosate raw materials are being purchased at market competitive prices and our margins will start to recover over the balance of the 2010 year. As a result of this product margin mix, our profit in the first half of this year will be significantly down on the previous year, however in line with our internal projections.

On a full year basis however, we expect the operating profit to show meaningful growth in 2010, both in terms of quantity and quality. Both cash flow and balance sheet strength will improve.

I acknowledge a recent statement from the ratings agency Standard & Poors which has stated that Nufarm remains on 'Credit Watch', pending the outcome of Nufarm's negotiations with Sinochem.

I would like to reassure shareholders that Nufarm continues to operate within its various banking covenants and expects to continue to do so, irrespective of any transaction with Sinochem.

While the Board acknowledges that the company's balance sheet at July 31 was not as strong as had been earlier forecast, we remain very confident that the balance sheet and cash flow will strengthen over the course of the current financial year.

The seasonality of Nufarm's business – tied as it is to agricultural seasons – inevitably involves peak working capital requirements. The extent, structure and flexibility of the company's funding arrangements need to reflect those requirements...and I am confident that our existing and future banking relationships take those needs into account.

Shareholders will have noted a \$37 million receivable in our 2009 accounts. Management and the Board carefully considered the circumstances around this debt and believe it to be recoverable. Our auditor has concurred with the financial treatment of this amount in our accounts.

I can assure you that the company will actively pursue all necessary avenues to recover this debt.

I would now like to comment on developments relating to the proposed acquisition of Nufarm by the China based State owned enterprise, Sinochem Corporation.

Shareholders will be aware that, on September 27, Nufarm entered into a Heads of Agreement with Sinochem.

That agreement provided for Sinochem to conduct due diligence on Nufarm; to confirm an indicative offer of \$13 per share; and to negotiate and execute a Transaction Implementation Agreement within a period of exclusivity which expires today.

Your Board had indicated its intention to unanimously recommend shareholders accept the Sinochem offer if the price and conditions identified in the Heads of Agreement are confirmed.

An announcement was made earlier this week, following Sinochem's advice that it is not yet in a position to confirm its offer and execute the Transaction Implementation Agreement.

It was announced that Nufarm has imposed a limited extended deadline of December 23 on the execution of that agreement. The discussions between Nufarm and Sinochem will be conducted on a non-exclusive basis from tomorrow, December 4, until December 23, and – in the event that any alternative options may come forward - your Board will consider if those options are in the interest of shareholders and the future growth and success of the company.

Sinochem's inability to meet the previously agreed timetable is a disappointment to your Board and – I am sure – to Nufarm shareholders. And your Board is very mindful of the impact of continuing uncertainty and distraction on the business itself.

On balance, however, the Board has determined that Sinochem should be given this limited additional time to complete its assessment; confirm its position; and undertake the necessary steps to be able to execute the contract.

Sinochem has raised what it has described as a number of issues with Nufarm arising from its due diligence. To the extent that we can, Nufarm will work with Sinochem to provide further information and clarification on some of those matters.

I would like to make clear, however, that your Board has reviewed the company's position with respect to those issues and does not consider that they impact the Board's previous view of the appropriate value required to secure Board support for a takeover offer.

The Board has agreed to an extension on the basis that if Sinochem confirms its intention to proceed, it does so at the previously agreed indicative price of \$13 per share.

If there are any material developments between now and December 23, a further statement will be made.

I would now like to ask the Managing Director to make some more detailed comments about the performance of the business.