



Chairman's Address
Annual General Meeting of Shareholders - Melbourne
Thursday, December 2, 2010 at 10.00 am

D McGauchie

While I am very confident of a bright future for Nufarm, fiscal 2010 was a tough and, in many ways, disappointing period for our company. In fact, our performance in the past two fiscal years have been essentially the opposite of what you, our shareholders, have come to expect of Nufarm over the past two decades. Let me assure you that the results have also been profoundly disappointing to the management and Board of Nufarm.

The main contributing factor to Nufarm's lower earnings has undoubtedly been the negative impacts associated with changes in the global glyphosate market. We have not been alone in suffering from those impacts. All companies with an exposure to glyphosate have seen huge pricing volatility and lower earnings due to the structural changes that have occurred in that segment of the industry.

The fact that others were also caught out by the rapid changes that affected the glyphosate market is not meant as an excuse. Given our track record, we would have liked to have better predicted and responded to the changes we faced.

Obviously, the Board took very seriously the effect on the company's financial performance, including the breach of banking covenants that resulted from the lower than expected earnings.

While industry-wide factors were central to the company's disappointing performance, the Board – and management – have clearly acknowledged that our response to those challenges was below our expectations on a number of fronts.

The dramatic drop in profitability, and insufficient visibility on changes in the forecast result, demanded that we properly review the business; our systems and reporting processes; and the general trends and possible changes that will impact the overall market.

In July, the Board implemented a comprehensive strategic review to examine those areas and appointed Deloitte and Gresham Advisory Partners to assist with the review. The involvement of external advisers was seen by the Board as appropriate, and consistent with the objective of ensuring a rigorous and thorough review process.

The consultants were given access to management at all levels in the organisation and have reported progress and interim outcomes of the review directly to the Board on several occasions.

With that process now in its final stages, I can assure shareholders that we have identified important areas where improvements can be made to the operational performance of the company. And we have been able to further refine our strategic objectives for the business.

I will allow Doug Rathbone to speak in more detail about some of the outcomes.

From a Board perspective, the key areas, as the company looks to implement the review outcomes, will be the strengthening and renewal of the Board; strengthening, increased depth and renewal of management; improved systems and reporting protocols; and an enhanced financial discipline in general.

As well as having the right people leading the company now, the Board must also ensure that the right team will lead your company in the future. Fostering organisational change and executive development is crucial and we are taking a strategic view of Nufarm's existing management structure to ensure we have the right skills base as this company continues to grow.

In terms of new directors, we have a shortlist of candidates with whom we are currently speaking. I expect an announcement soon about the addition to the Board of two new directors. I view it as crucial that the Board look for diversity, in the broad sense of the word, among its directors so that we have the right balance of skills and perspectives to help management do its job.

As you would be aware, Doug Rathbone has indicated that he intends to continue leading Nufarm for the immediate future. The Board fully supports Doug's ongoing leadership but also appreciates that there will come a day when he will want to retire. The Board must plan for that eventuality and has started the process of planning an orderly and seamless succession.

This brings me to the general area of financial reporting and continuous disclosure. This is an issue which is fundamental to our corporate values and I want to restate our objective of developing and delivering best practice outcomes to our shareholders.

Yesterday, we announced that Nufarm had provided enforceable undertakings to ASIC which ASIC has accepted in resolution and settlement of an ASIC investigation into Nufarm's compliance with its continuous disclosure obligations in respect of the Company's result for first half of the 2010 financial year. Those undertakings will deliver enhancements to Nufarm's financial reporting and will also encompass a review of Nufarm's policies and procedures relating to continuous disclosure. Those enhancements and that review will be undertaken pursuant to recommendations to be provided by Deloitte and are to be implemented over the next 9 months.

The enforceable undertakings include measures limiting Nufarm's reliance on so called "low doc" equity raising provisions for the period until the Deloitte recommendations are determined and implemented.

ASIC has also issued an infringement notice in relation to Nufarm's disclosure of its results for the first half of the 2010 financial year. Nufarm has paid the \$66,000 penalty specified in that notice. The payment is not an admission of liability and the notice does not constitute a finding that Nufarm has contravened the Corporations Act.

Nufarm acknowledges the fundamental importance of accurate and timely disclosure. Nufarm has in addition to the steps I've mentioned, commenced its own review and committed to numerous significant initiatives to improve its financial reporting and disclosure. Doug Rathbone will talk to some of these initiatives when he addresses you this morning

On a separate issue, I am very pleased to be able to report that the company has executed term sheets relating to a new funding package.

As shareholders will be aware, the surprise drop in earnings at the end of the 2010 led to the breach of two of our banking covenants and the subsequent need to renegotiate our banking arrangements. Interim financing arrangements were announced on September 27, with a requirement that a new financing structure be finalised by December 15.

As we announced earlier this week, we have now obtained credit approval to move from a complex and largely inefficient series of bi-lateral arrangements with some 16 banks, to a syndicated and secured structure involving four key banking partners. The new arrangements will include more flexible banking covenants that reflect the seasonal nature of our working capital requirements and earnings.

Following a thorough review of the capital structure and requirements of the business – and taking account of our forecast earnings recovery over the next several years – we are confident that the level of funding now available to the company is sufficient to support the current and future growth needs of the business as we see them today.

The Board carefully considered a number of options in terms of capital structure, including near term measures to reduce the level of capital in the business. On balance, we concluded that the profit recovery in the business will support a capital structure that relies on continued debt funding. Never-the-less, we have identified several possible options for reducing capital levels and we will keep those options under review as we closely monitor the operating performance of the business.

The refinancing exercise has been a major task for the management of the company and necessarily diverted management resources away from other areas.

It is extremely important to have achieved certainty and clarity around the funding position.

While the company dealt with major operational challenges over the past year, we also spent a great deal of time talking to two potential suitors about major investments in our company. I want to talk briefly about those approaches by Sinochem and Sumitomo.

This time last year, a potential corporate transaction involving Nufarm and China's Sinochem Corporation was in train. After a protracted due diligence process and an agreement by Nufarm to extend previously committed deadlines, Sinochem changed its offer to a highly conditional \$12 cash per share. The Board's strong view was that the offer provided no certainty either on price or on other conditions.

Let me assure you that your Board very carefully considered its position before unanimously deciding that it was not in the best interests of shareholders to continue the negotiations with Sinochem.

In the very latter stages of the negotiations with Sinochem, the Board was approached with a separate proposal from Sumitomo Chemical Company to acquire 20 per cent of Nufarm's shares at \$14 per share. The Board believed that the strategic investment by Sumitomo was a far better and more certain option for shareholders, and shareholders approved that deal in March.

Nufarm's relationship with Sumitomo in the past eight months has been beneficial to our company. Sumitomo has been an extremely supportive major shareholder. Thanks to the relationship, management has identified a number of distribution and product development opportunities that have already generated additional revenues for Nufarm, with further opportunities on the horizon. Doug will provide further details on these.

Sumitomo is entitled to nominate one Director to the Nufarm Board following its strategic investment. The proposed appointment of a Sumitomo representative to the Board is currently being reviewed by an anti-trust regulator in Europe and it is hoped to have that matter clarified in the near future.

Doug will shortly give an update on the company's performance so far this fiscal year. I wanted to speak briefly about the Board's policy on earnings guidance. The company has previously followed a practice of providing specific earnings guidance. We are now taking a more conservative and cautious approach in terms of our outlook statements. I believe this is an appropriate stance, given the experiences of the past 12 months and a recognition that there are unknown factors and variables that will influence our earnings – including future climatic conditions and competitive influences on pricing. As these conditions become clearer over the course of the year – and particularly in the key second half selling period – we may be in a position to provide more complete guidance.

Before I finish, I want to publicly thank the former chairman of Nufarm, Kerry Hoggard, for his tremendous contribution to this company. As you know, I was appointed chairman in July after serious health concerns forced Kerry to retire. Kerry's association with Nufarm began some 53 years ago in New Zealand, back in the days when the company was known as Fernz Corporation. He served in numerous managerial and non executive roles before becoming chairman in 2000. I know that I speak for all shareholders when I thank Kerry for his tireless work and leadership over the years. We wish him all the best in his future endeavours and as he continues his successful recovery from illness.

I would also like to thank Doug Curlewis for his valuable contribution to the company during more than 10 years as a Director of the Board. It was announced this week that Doug will resign from the Board following this meeting. Doug has been an active and interested Director over that period and most recently served as the company's Deputy Chairman. On behalf of the Board, management, and all shareholders, we thank Doug and wish him well.

I want to hand over now to Doug Rathbone. Before I do, let me say that I have never seen Doug work with more commitment, energy and focus than he has this year. Nufarm has experienced a tough 12 months and there are more challenges ahead. But the signs are good that we have started to recover, and there is no better person than Doug Rathbone to lead this company through that recovery. Doug and his team are developing a very clear strategy to grow the business and we are confident that they will deliver strong results for shareholders in the year ahead.