Managing Director's Address
Annual General Meeting of Shareholders - Melbourne
Thursday, December 3, 2015 at 10.00 am

G A Hunt

Thank you Mr Chairman.

Good morning ladies and Gentleman.

I would also like to add my welcome to Nufarm's annual general meeting.

This morning, I would like to:
- review the past financial year's performance;
- update you on current business conditions; and
- share our priorities as we continue to build a better Nufarm.

Starting with the Company Performance for Financial Year 2015

As reported to the market in late September, for the 12 months to July 31 the group generated:
- a 4% increase in revenues;
- an 18% increase in underlying EBIT; and
- a 35% increase in underlying net profit after tax.

These results reflect both underlying earnings recovery and continued growth in most markets.

They also demonstrate our progress in delivering sustainable cost savings and efficiency improvements across many parts of the business, whilst continuing to grow the revenue line.

Our statutory net profit of $43.2 million was above the previous year's $37.7 million. The result included the impact of one-off costs associated with the performance improvement program we announced in February.

Excluding material items, earnings per share were 39.6 cents, up from 28.1 cents generated in the 2014 reporting period.

We declared a final dividend of six cents per share, resulting in a full year dividend of 10 cents – compared to 8 cents in the previous year.

A more disciplined approach to working capital management was a key focus for the company during the 2015 financial year. The benefits of reducing our investment in working capital are clear. From a balance sheet perspective, it allows us to reduce debt and improve the gearing metrics of the business.

From a P&L perspective, it results in lower interest costs and a subsequent lift in net earnings. And freeing up capital provides us with additional flexibility to pursue growth opportunities or reduce the group's net debt position.

We finished the financial year with an average net working capital to sales ratio of 41.9%, down from 47.7% in the previous year. This represents a reduction of $105 million in average net working capital dollars.

We made very good progress towards our target of 40% average net working capital to sales by the end of the 2016 financial year. We remain committed to achieving this target.

To 31 July this year, the group produced another strong net operating cash flow (just over $228 million), which followed the strong cash flow of $268 million generated in the previous year. The reported net debt of $547 million at year-end is a $34 million increase on the prior year. This largely reflects the impact of the weaker Australian dollar on the USD denominated high yield bond. In constant currency terms, net debt at July 2015 was almost $100 million lower than the previous year.

In the 2015 financial year, market conditions varied across the regions. Generally, conditions were weaker due to the fall in crop prices and lower demand in a number of crop product segments, particularly insecticides.

Despite this, the company achieved margin growth in all of its regional crop protection businesses. This margin growth, together with the near term benefits associated with the company's cost savings and performance improvement program helped drive the higher underlying earnings.

Earnings growth in our regional crop protection businesses more than offset a weaker performance in the seed technologies segment.

In Australia, our business experienced another relatively dry summer and autumn, which negatively impacted on demand.

Whilst sales were slightly down on the prior year, a focus on higher margin products; more disciplined selling policies; and a lower cost base resulted in an improved operating result.

We reported an underlying EBIT for the Australia/New Zealand segment of $52.7 million, up 55% on the prior year's $33.9 million.

The previously announced closure of three manufacturing facilities in Australia and New Zealand is continuing on schedule, with capacity now being relocated to other facilities. At this stage, the Welshpool site is ready to be sold. The Lytton and Otahuhu sites are closed and in the process of being dismantled and remediated. The new construction of our Insecticide and Fungicide facility in Melbourne is progressing to plan.

The full benefit of these changes will be realised in the 2017 financial year, with better plant utilisation; improved efficiencies and a lower cost base.

In Asia, crop protection sales were up 10% on the previous year, however underlying EBIT was down slightly to $18.1 million as we continue to invest in additional field staff and increased product development. These investments are forecast to drive moderate local earnings growth in coming years.

Our North American operations grew sales by 15% in Australian dollars and underlying EBIT recovered strongly to $38.9 million, up 89% on the prior year. This improvement was largely driven by a return to more normal seasonal conditions following the extremely long and cold winter in the previous year.

In addition, new product launches in both Canada and the USA resulted in stronger sales in the broad acre crop segment.

These new products, incorporating the company's phenoxy product portfolio, will play an increasingly important role as the industry faces further challenges associated with herbicide resistant weeds.

In the turf, nursery and greenhouse markets, the company increased its market position with the launch of a number of new products, a successful early order program and the inclusion of the broader Valent portfolio.

Market conditions were more challenging in South America, as the value of the total crop protection market contracted (as measured in US dollars). Despite this, the company maintained the momentum of previous years and posted strong 7% revenue growth and a similar increase in underlying EBIT to $76.7 million.

The excellent result was driven by a focus on newer and higher margin products, along with an expanded reach into a number of market segments. Higher beef prices supported additional crop protection investment in the pasture market, where Nufarm has a strong position.

European sales were slightly down in Australian dollars, however underlying EBIT grew by 17% to $64.4 million. The improvement was driven by an increase in higher margin Nufarm branded products.

The restructuring of our European manufacturing base is proceeding on schedule. The Botlek site is currently being demolished and cleaned for return to the landlord. Capacity from the closed facility is being relocated to the Wyke facility in Northern England.

These changes will permanently reduce the company's fixed cost base; improve working capital management; and improve the competitive position of our operations. These changes are all designed to support the continued growth of our European business.

In summary, our total crop protection revenues were $2.58 billion dollars and accounted for 94% of total group revenues. This represented a 4% increase on the 2014 financial year.

Nuseed, our seed technologies business posted a 10% increase in revenues to $159.6 million.

Underlying EBIT fell by 14% to $31.8 million due to lower canola sales in Australia, with the area planted to canola estimated to be down by some 20% on the previous year.

Nuseed continued to expand its market presence in Europe with increased sunflower sales; however this did not completely offset the deterioration in the confectionary sunflower segment in China. While sorghum sales were relatively strong, a lower commodity price impacted margins.

Seed treatment growth was impacted by both adverse seasonal conditions and lower crop prices. On the positive side, a number of important new seed treatment registrations were approved during the latter part of the year, including the registration in France of a new Imidacloprid formulation for winter cereals (Nuprid 600 FS).

The company's omega-3 program - which involves the development of canola plants that produce oils rich in long chain DHA omega-3 oil - continued to advance through field trials and is now in the pre-registration phase of development. This is an important and potentially very valuable opportunity for the company.

Overall, the 2015 financial results represent a strong performance by the company. The result reflects encouraging progress as we set about making the changes that will deliver sustainably higher profits and returns.

<u>Current Conditions Update</u>

I would now like to update you on trading conditions in the first quarter of the new financial year.

Here in Australia, conditions were again generally dry in August to October. The winter crop finished abruptly with the dry conditions, and summer cropping opportunities have been limited. The El Nino forecast for the Eastern seaboard is dampening expectations, but there was good rain in early November which helped sales.

Whilst market demand was down in the August to October period – and our Australian sales reflect that – we are now seeing sales activity pick up, and we are expecting earnings to be in line with or ahead of last year by the end of the first half. Improved pricing discipline and further cost savings will be key contributors to that outcome.

We are rationalizing our manufacturing footprint from six plants to three, we are implementing our manufacturing excellence program and we have moved to a more efficient and stream-lined back office structure. All of these changes are designed to mitigate the risk of adverse seasonal conditions in future years.

Sales and underlying EBIT in Asia in the first quarter were slightly ahead of the same period last year. We have a number of new product launches in Asia this year, but we are also increasing our product development spend. These investments are relatively small and are expected to have moderate impacts on revenue in the short to medium term.

The decline in soft commodity prices and higher distribution inventories, have created a very competitive environment in North American market. Despite these conditions, our North American business has had a positive start to the year.

Sales, margin and EBIT are tracking well, due in part to a successful early sales campaign in the turf and specialty segment. Of course, the major selling period for these markets occurs in the second half.

We are in a strong position to improve on last year's results should we see a normal winter and spring season.

In Brazil, sales are being impacted by weather – wet in the South and dry in the Central and Northern regions. Our strict credit policies, which are entirely appropriate, are also resulting in some sales being forfeited where we do not have sufficient comfort on the receivables risk.

Total market value – in US dollar terms – is expected to be down 15 to 20% on the prior year, due to the rapid depreciation of the Brazilian Real and associated market competition.

However, we expect total soybean planted area to grow by approximately 3% and for corn planted area to be flat across the year. These are the major crops in Brazil and account for over 60% of production. Our first quarter sales in Brazil are ahead of last year in local currency, but slightly down when translated into Australian dollars. We will continue to take a disciplined approach to selling to maintain our gross margin and limit any potential credit risk.

So, despite the softer overall market, I expect a solid performance – in local currency terms - from our business in South America again this financial year.

First quarter sales in Europe are slightly ahead of the previous period. Autumn weather conditions have generally been positive and Nufarm has performed well, particularly in some of our new and developing markets. New product launches were well supported and the branded business is well positioned for another year of growth.

Our seed technologies segment sales are slightly down on last year, but better margins and good cost control have profit tracking in line with the prior period.

The seed technologies segment will be impacted by the dry conditions in Australia and lower pricing for sorghum, however, the outlook for sunflowers and the seed treatment business is looking positive. Earnings in the seeds business are heavily weighted to the second half, and an earnings recovery from the prior year will greatly depend on the canola crop in Australia.

The Omega 3 development plan continues on schedule in terms of technical milestones, regulatory filing preparation and end-use development studies. Our field trial program continues to deliver excellent results.

As I have said, this project continues to look very exciting and it is important to note that we are continuously expanding our intellectual property estate that protects our proprietary position in this space.

Our first six months result is typically dominated by contributions from Australia and Brazil, which are both experiencing challenging market conditions. Despite this, we are confident that underlying EBIT at the half will be in line with or ahead of the prior year. This will leave us well placed to deliver underlying EBIT growth for the full year.

At the half year, we expect the underlying profit after tax to be lower than the prior year. Year to date, we have incurred exchange losses of $10 million, mainly due to the extreme volatility of the currencies in South America and the high cost of hedging those exposures. First half interest expense will be slightly above last year, caused by higher interest rates in Brazil and the net translation impact of foreign currency denominated interest.

The first six months of the year always sees a build in working capital, given the timing of major seasons in our global markets. I expect working capital levels at the half to be slightly above the prior year but the average net working capital to sales percentage to be below that of last year. So our working capital will grow at the half but at less than the rate of sales growth.

<u>Our priorities as we build a better Nufarm</u>

The cost savings and performance improvement program announced earlier this year, together with the previously announced Australian and New Zealand manufacturing restructure, will deliver a net benefit of $116 million in underlying EBIT by the end of the 2018 financial year.

The program covers all areas of the business including:

- Our manufacturing footprint;
- Manufacturing excellence programs;
- More effective procurement;
- A globally integrated supply chain;
- Changes to management structure and operating model; and
- A review of our product portfolio.

We provided considerable detail on the specific initiatives that will deliver our savings at the full year results, and we will continue to keep you updated on progress.

Just last month, we announced the rationalisation of our manufacturing footprint in North America. The closure of our production facility in Calgary, Canada, and the consolidation of manufacturing activity in our two plants in Chicago are expected to generate $3.3 million in annualised savings when complete.

We are also implementing our manufacturing efficiency program at our largest production facility at Laverton. This will result in $5 to $8 million in annualized savings.

While the majority of benefits associated with the performance improvement program will accrue in the 2017 and 2018 financial years. Early successes have resulted in $15 million in benefit at an EBIT level in the 2015 result, with an additional benefit of at least $20 million forecast in the current 2016 financial year. We remain confident in our ability to deliver these cost savings.

Let me also update you on the refinancing of our banking facilities – negotiations have been finalized with lenders to refinance the group's senior secured revolving bank facility.

The execution of documentation will be completed in the coming weeks. The renegotiation has resulted in improved terms, including tenor and pricing, reflecting both Nufarm's strengthening credit position and future growth prospects.

We have an objective to achieve a Return on Funds Employed (ROFE) of 16% by the 2018 financial year. In 2015, the company generated a ROFE of 11%, compared to the 9.1% generated in the previous year.

Finally, let me share a summary of how I see our company in the year ahead:

Nufarm is still a growth business:

- We have invested in establishing a global sales and marketing footprint;
- We have a globally recognized brand and a reputation for producing high quality products;
- We have a valuable market share in Phenoxy herbicides;
- We have formulation capability in key markets close to customers; and
- An established specialty seeds business.

Looking forward, we will continue to build on this platform:

- The focus will be on driving deeper on select crops in key markets;
- Our portfolio investments will be more targeted at meeting the needs of our customers in these key crop segments; and
- Our manufacturing, procurement and supply chain operations will be further aligned to ensure we remain globally competitive.

In this way, all parts of the business are aligned in a 'One Nufarm' operation that will deliver more consistent and sustainable returns.

Our focus in 2016 will be on:

- Delivering the cost savings;
- Reducing complexity in our business;
- Continued margin expansion; and
- Delivering the working capital target.

I'm confident we will continue to see the benefits of our focus on these objectives, and expect another solid profit performance in 2016.

Thank you.