



Chairman's Address
Annual General Meeting of Shareholders - Melbourne
Thursday, December 6, 2018 at 10.00 am

Donald McGauchie

Good morning and welcome to the 2018 Nufarm Limited AGM.

The past year has underlined the importance and value of our geographic diversification, as well as the strength of our business following our wide-ranging business improvement program and focused growth strategy.

In many parts of the Eastern States of Australia we have experienced the driest conditions in more than 100 years. We have also seen extremely dry conditions in parts of Central and Northern Europe. In the business of agriculture, there is no escaping the impacts of prolonged and severe drought.

As a company, we have 100 years of history navigating these challenges.

Nufarm is the leading supplier of crop protection products in Australia. We have a large manufacturing base here and a long-standing commitment to support Australian growers by having quality product, developed here for Australian conditions, available when it is needed.

Our Australian business is therefore exposed to the risk of that demand not eventuating when dry conditions persist through critically important cropping regions around the country.

Those impacts are clearly reflected in the company's 2018 results. The financial contribution of the Australian business was well down on the prior year, resulting in a Group profit outcome that was also lower. We also booked a one-off impairment-related cost in Australia that contributed to our statutory net profit moving to a loss at a group level.

We expect to see some recovery in the Australian business this year, however significant rainfall is still needed to support cropping activity – in particular, ahead of the major winter planting period next autumn.

While the 2018 financial impact of the drought was substantial, the measures taken by the company in recent years to rationalise the Australian manufacturing base; reduce overheads; and strengthen the productivity and competitiveness of Nufarm in Australia means we have mitigated the impact of this year's operating conditions.

As a company, we will continue to stand alongside and support Australian growers as the agriculture sector looks to recover when seasonal conditions improve.

Despite the challenges posed by conditions here in Australia, Nufarm continues to out-perform the global industry in overall revenue growth and is posting strong, profitable growth in major regional markets around the world.

Nufarm is undoubtedly a more efficient, competitive and strategically focused company as a result of the changes brought about through the performance improvement program, and the strategic review that was undertaken nearly four years ago.

In the past 12 months, we have continued to invest in better systems and processes, with further benefits still to be realised over coming years.

We also completed two valuable acquisitions in Europe that have strengthened our market position and will help drive sustainable growth. The management team has done an excellent job on the integration tasks associated with those acquisitions.

We have a strong pipeline of new product opportunities and our proprietary omega-3 canola program continues to meet its development and regulatory milestones, with a commercial launch not too far away.

The global business environment in which Nufarm operates is not without risks. We face the challenge of managing seasonal impacts that can generate significant swings in working capital; volatile currency movements in emerging markets; shifts in consumer demand and community sentiment; navigating the changing landscape in relation to issues such as Brexit and US trade policy; and anticipating and responding to product regulatory changes – to name a few.

The capital raising we recently undertook allowed us to strengthen the balance sheet and ensure the business is positioned to successfully navigate through these challenging times. We are also better able to capitalise on growth opportunities presented to us as a result of the ongoing consolidation in our industry.

It is important that we drive further efficiencies through the business; that we maintain a sound strategic focus; and that we have a balance sheet that both mitigates the impact of the risks we face and provides the capital required to fund profitable growth.

The Board and management team will continue to work together to ensure the company delivers on those fronts.

I would like to thank my fellow Directors for their contribution and engagement over the past 12 months, and will now hand over to Greg for his management report.