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5 December 2019

Nufarm Limited AGM Speeches

Please find attached the addresses to shareholders to be delivered by the Chairman and Managing Director at Nufarm's Annual General Meeting today.

Fiona Smith

Group General Counsel and Company Secretary

Chairman's Address
Annual General Meeting of Shareholders - Melbourne
Thursday, December 5, 2019 at 10.00 am

Donald McGauchie

Good morning and welcome to the 2019 Nufarm Limited annual general meeting.

This meeting has been properly constituted and a quorum is present.

Any shareholders and proxy holder who have not registered, please proceed to the registration area and obtain a registration form.

I'm joined on the stage today by your Managing Director and CEO, Greg Hunt, and fellow Directors Frank Ford, Anne Brennan, Gordon Davis, Peter Margin, Marie McDonald and Takasaki-san as well as company secretary Fiona Smith.

I now formally declare the meeting open.

2019 has been a year of significant progress and change for Nufarm. We

- substantially progressed the integration of the European portfolios acquired in 2018
- made significant progress in bringing a large, new value stream on line with omega 3 canola, and
- announced the proposed divestment of our South American business.

These initiatives are re-shaping our portfolio to focus resources on the regions and businesses where we believe we can generate higher margins and stronger cash flows.

I'll speak more about this later in my address, but first I'd like to talk about protecting the safety of our communities and our people, which is the most important priority for our business.

Safety

A strong tone from the top sets a good safety culture and the Board is actively engaged in oversight of safety and the controls in place to protect our people and the communities in which we operate.

We have invested significant resources in process safety management and strengthening our safety culture over the past few years and this has created a stronger base for improved reliability and safety performance at our major manufacturing sites around the world.

We saw a decline in safety performance in the first half of this year, and the Board was actively involved in oversight of management's review of the causes for the decline to satisfy ourselves there had not been a systemic weakening of controls. We've also monitored the progress of the programs put in place to lift performance and we are beginning to see these bear fruit, with improved performance toward the latter part of 2019 continuing into financial year 2020.

Reducing injuries and improving process safety will continue to be a priority and Greg will speak about this in his address.

Financial and operational performance

Operationally, 2019 was a difficult year.

Underlying earnings before interest, tax, depreciation and amortisation increased by nine per cent to $420 million.

Toward the end of November, we notified the Australian Stock Exchange that we had identified rebates payable to customers with an estimated impact of $9m that had not been included in our 2019 earnings. This amount will be incorporated into our 2020 first half earnings.

The Board was notified of this issue very soon after it was identified by management and our external auditors were also involved. Under the oversight of the board, the management team has undertaken a thorough review of the relevant internal control processes and procedures and the circumstances that resulted in the error.

The Board is satisfied the review has been comprehensive and that the proposed actions to further standardise our commercial policies, accelerate the implementation of systems, improve procedures and processes and undertake further training of our staff are sufficient to prevent a recurrence.

Turning to the drivers of financial performance for 2019. The major external events impacting earnings this year were continued drought in Australia, supply disruptions for our European business, and extensive flooding in North America.

Navigating such challenges is fundamental to our business.

The Board monitors progress and judges short term success based on the speed and effectiveness of management’s response, the resilience of our people and the ongoing strength of our commercial relationships.

Looking back on 2019, the company responded to the external challenges with measures that have strengthened the business. We have:

- accelerated transition of the supply chain in Europe to Nufarm control;
- progressed the next phase of the transformation of the Australian business;
- strengthened the balance sheet with the equity raising announced at the end of last financial year, and
- commenced a deleveraging program to further reduce debt.

Generating cash and reducing debt was an important focus for the management team. Underlying free cash flow improved by more than $200m on the prior year and debt was reduced by nine per cent.

As a Board, we understand the importance of balancing the financial needs of the business for stability and growth with returning funds to shareholders. Of course, we aspire to do both.

Nufarm has undertaken a period of significant investment over recent years. We have invested in the consolidation of our manufacturing base and new financial systems to maintain and improve our global competitiveness. We have invested in future growth by broadening our European portfolios and strengthening our pipeline of new products, including omega-3 canola.

The Board and management is very alive to the fact that recent investment has increased the company's debt at a time of significant volatility. While the product and geographical diversification of our business affords some protection, we remain exposed to the inherent volatility of the industry. It is important that we operate from a position of financial strength to ensure shareholders' funds are not placed at risk over time. It was with this principle in mind that the Board made the decision to suspend dividends in the current financial year.

We understand, and share, shareholders' urgency to see returns on these investments that will allow the company to reduce debt and lift shareholder returns. We have great confidence in the quality of the investments we have made, and the steps we have taken to focus our business on our areas of strength and where we believe we will generate stronger cash returns.

Proposed sale of South American business

On the 30th of September we announced the proposed sale of our South American businesses to Sumitomo for just under $1.2 billion. We believe this offers compelling, up front value for shareholders, and the ongoing benefits of a stronger balance sheet and simplified capital structure will be significant.

The proposed transaction will also strengthen and extend our commercial relationship with Sumitomo. This relationship has been an important contributor to our growth in the past five years and the new agreement will extend this relationship for a longer time frame and open new opportunities in more products.

Our ability to generate cash returns will also be improved. While we have very successfully grown and stabilised earnings in South America, the contribution it has made to cash flow generation has been disappointing. We know that the next phase of growth for this business will require significant investment and we believe that redeploying our capital to other regions will generate stronger cash returns for our shareholders.

As Sumitomo is also a major shareholder of Nufarm, shareholder approval for this transaction is required under the ASX listing rules and you will have the opportunity to vote on the proposal later in the meeting.

Board composition

You will also be asked to vote in relation to my re-election to the Board. It has been an honour to serve your interests on the Board. Having done so for 17 years now, it is my intention retire prior to completion of the full term of re-election. This will ensure consistency of leadership during the completion of the sale of the South American business to Sumitomo and allow for a smooth transition to a new chairperson.

When the time comes for me to stand down from the Board, I'm confident I will be leaving Nufarm in a strong position, with a bright future.

There will continue to be short term challenges and volatility, but the company's strategy of going deeper into our chosen geographic markets and crops, rather than spreading our efforts more broadly, is working. I am confident the management team has taken the necessary steps to ensure a steady recovery from the issues that impacted performance in 2019, and the significant reinvestment in the business over recent years will deliver value to shareholders in the near term and the years to come.

Managing Director's Address
Annual General Meeting of Shareholders - Melbourne
Thursday, December 5, 2019 at 10.00 am

Greg Hunt

Thank you, Donald.

Good morning, and welcome everyone.

Safety

I would like to add to the Chairman's comments in relation to safety. As a CEO, there is nothing more important than the health and safety of your people. And as a colleague of the three and a half thousand people who work across our business, it's important to me personally that everyone gets home safely at the end of their working day.

We have seen a steady improvement in our safety metrics over the past few years and while some of our regions and operating sites achieved significant milestones, our performance in relation to lost time injuries declined earlier this year.

This was identified early and we engaged with our workforce around the world to understand the causes and ensure our fundamental controls were still effective. When we had confirmed this was the case, we set about refreshing our approach to make sure we keep safety top of mind.

There are many aspects that will contribute to reaching our aspiration of zero injuries, and the personal commitment of every employee for their own safety and the safety of their colleagues has been an important focus in this second half of the year.

This has driven an improvement in performance, and we will keep finding new ways to reinforce an environment where we consciously question the assumptions around safety. The safety of our people will continue to be our number one priority.

Update on 2020 first quarter trading and first half outlook

The Chairman has already touched on performance for the past year and the importance of navigating short term headwinds and managing where we can, the inherent volatility of our industry.

We are still facing some headwinds and as a result trading conditions in the first quarter have been difficult. Severe drought conditions have continued in parts of Australia and Indonesia. In North America we have experienced lower demand and competitive pricing because customers are reducing inventory levels following a period of unprecedented floods across major cropping regions.

We increased sales in Europe in the first quarter despite mixed weather conditions across the region, however continued supply challenges and higher product costs impacted margins. The first quarter also carried higher costs due to the additional resources put in place over the past year to service the needs of our larger portfolio. This cost base will be more fully leveraged in the second half of the year when the majority of sales are generated.

Demand in Brazil was strong in the first quarter although margins continued to be impacted by increased competition, and earnings in Argentina were impacted by economic and political volatility.

Overall, earnings were lower in all regions for the first quarter compared to the prior year. While the first quarter traditionally contributes only a small proportion of full year earnings, we expect the slow start will result in earnings before interest, tax, depreciation and amortisation in the first half being significantly lower than the prior year.

I'd also like to call out the progress we've made in the first quarter in preparation for the proposed sale of the South American businesses. This is obviously subject to shareholder approval today, however a lot of progress has already been made by our South American and corporate teams to ensure a smooth completion of this transaction, pending the necessary shareholder and regulatory approvals.

Focus for 2020

Our focus for the balance of the 2020 financial year is very simple and straightforward.

Keep our people safe, improve our margins and generate cash.

These are the objectives that are important to us and they're the objectives that will help us maintain a strong financial position and improve returns for our shareholders.

In Australia we have reduced our cost base and we will continue to be very disciplined in managing working capital. We will look for further opportunities to reduce costs, however in the short term our biggest leverage is to an improvement in weather.

In North America we are well positioned to meet increased demand as we move into the new calendar year. The commissioning of our new Greenville formulation plant will be a small drag on earnings in the first half, but it will support future earnings by providing a local manufacturing footprint that allows us to respond more quickly to customer demand and reduce logistics costs.

In Latin America we will focus on meeting the needs of our key customers, however we will balance this with pricing discipline.

In Europe we will continue the hard work of the past twelve months to stabilise and improve performance. We have strengthened our management teams and while we are still working through change, we are confident that with the improvements we have made to our supply chain processes and new region-wide IT system we are in a better position to service our customers' needs this year.

As I mentioned earlier, margins in Europe for the first quarter were impacted by higher cost of goods. Our most recent insights from the Chinese supply chain suggests this trend will continue through 2020, however we are hopeful of improved supply towards the end of our financial year.

Improving returns in the medium term

Post the divestment of our South American business we will continue our focus on our core crops in the remaining regions and further developing our seeds platform and commercialising omega 3.

When I reflect on the journey we commenced in 2015, our strategy refocused the business on five core crops in four regions. A deeper rather than broader focus. This approach improved our performance over 2015 to 2017 with returns on funds employed increasing to 13.6% in 2017.

We had positive momentum and this gave us the confidence to pursue the portfolio acquisitions which became available in Europe in 2018.

Our returns over the past two years have declined. This has been caused by a combination of climatic volatility, especially in Australia, and supply issues which have resulted in us taking longer than anticipated to deliver the full value of the acquisitions. These factors resulted in an increase in leverage, and financial market sentiment has also been influenced by uncertainty in relation to glyphosate.

We see these issues as short term in nature.

The fundamental strengths of our business and the relevance of our strategy remain unchanged.

We are reshaping the business to ensure we compete effectively in the global marketplace and build value for our stakeholders.

The investment in our European business has expanded our product portfolio, lifted our market relevance, and created a platform for growth. Some of this growth will come from delivering the full potential of the portfolios we acquired in 2018. Further growth will come from the opportunity to expand the portfolio as preferred distribution partner for two of Sumitomo's promising new fungicide products that are expected to come to market in 2023 to 2024.

In North America we have a well-diversified and resilient business with a demonstrated track record of organic growth. We have a leading market share in the US turf and ornamental markets and increasing market share in the US and Canada crop protection segments.

Our Australian business provides significant upside earnings leverage. This is a good business that has been operating in a very tough market, under very challenging conditions. We know the local industry well and we are confident earnings will rebound when weather conditions improve. The work we are doing now to improve our cost base will help reduce the volatility of earnings across longer term weather cycles.

We have strengthened our pipeline of new products, including significant progress on the commercialisation of our breakthrough omega 3 canola product, with first sales expected in 2020. We're very proud of the work we have done with the CSIRO and GRDC to bring this technology to market, and we are confident this will become a valuable income stream for shareholders over the next few years.

We are also progressing development of a new oil seed, Carinata, that is used as feedstock for the biofuel industry. We have been working with Canadian based Agrisoma on the development of this crop and recently acquired the intellectual property and various assets that will allow us to develop this as another oil opportunity in our Nuseed portfolio.

The benefits of a stronger balance sheet following the sale of our South American businesses will be significant for Nufarm. We will have a stronger business with our capital weighted to higher margin businesses that can generate stronger cash flows. We will have a simplified capital structure and generate significant savings on financing costs.

Before handing back to the Chairman, I would like to acknowledge and thank the hard-working people across our organisation that have had to endure difficult and challenging conditions over the past 12 months. They collectively contribute to a culture that I believe increasingly distinguishes Nufarm from our competitors. This will be a critical element of our success in the years to come.

I also thank you, our shareholders, for your continuing support.