



Nufarm Finance (NZ) Limited

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Nufarm Finance ASX Announcement

We attach Chairman's and Managing Director's addresses to the Nufarm Limited AGM held today.

A handwritten signature in black ink, appearing to read 'Rodney Heath'.

Rodney Heath
Company Secretary



**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.



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

D J Rathbone

Thank you Mr Chairman.

I would like to add my welcome to Nufarm shareholders – and our other guests – who have joined us this morning. We very much appreciate your interest in the company.

The past 12 months have been both a challenging and very eventful period for Nufarm. Since I last addressed you at an Annual General Meeting, the company has completed an equity raising; has delivered a disappointingly poor profit result for its 2009 financial year; and has been the subject of a proposed takeover by the China based Sinochem Corporation.

This morning, I would like to briefly review the performance of the company during the 2009 year and update you on business conditions in the first few months of our current financial year. I will then make some comments on the proposed Sinochem takeover.

While much of our business performed strongly during the 2009 year, the result for the period was significantly impacted by adverse conditions in two key areas...credit related pressures in Brazil and a substantial change in the global glyphosate market, particularly in the final quarter of the financial year.

Those two factors conspired with relatively poor seasonal demand for crop protection products in some markets, and a general dampening of buying activity by major distribution customers around the world, due to credit pressures, to make for one of the more challenging periods in my 35 years in the business.

We first signaled an apparent deterioration in business conditions in Brazil 12 months ago. As the availability of credit tightened, Nufarm began to exercise more caution around filling sales orders in an effort to ensure that those orders did not generate bad debts. This resulted in fewer sales being made and margins being squeezed as the competition for lower risk business became more intense.

Over the course of the financial year, our sales were down in Brazil by some 13% in local currency...but the real impact was felt on the margin line.

Ultimately, our collections in Brazil have shown that the approach taken by Nufarm was conservative, but it was prudent in the circumstances that we took this position.

The glyphosate issues have been covered by the Chairman and these issues have had considerable discussion over the past few months.

In summary, however, we saw a dramatic change in the supply/demand dynamics affecting glyphosate over the course of 2008 and 2009, with a resulting negative impact on all of the major glyphosate suppliers – ourselves included.

In response to strong demand for glyphosate acid – the key raw material for our finished glyphosate products - in the 2008 selling season, substantial additional capacity was commissioned in China and we saw a resulting and significant decline in acid prices.

The increased competition and lower seasonal demand led to major price discounting in global markets, but in particular the US market during June and July.

Nufarm's holding stocks of glyphosate during this period were higher than normal, and our cost position was not competitive with traders who were able to source the lower cost glyphosate acid and supply at very low prices. This meant that as the selling price continued to decline, sales made by Nufarm were made at a comparatively small margin for much of the year – and at a loss for the latter part of the year.

In the 12 months to the end of July, Nufarm's glyphosate sales were \$833 million, representing 31% of total revenues. Those sales generated a gross margin of just 14.9%. That compares to a glyphosate gross margin of 31% in the previous year.

At the end of July, the company reduced the value of its glyphosate inventory by \$67.6 million to bring our cost position back to a competitive basis for the start of this financial year.

These factors had a significant financial impact on the company's full year result. But – while 2010 is likely to see a continuation of lower and more competitive pricing and supply – Nufarm will now begin to see recovery in the profitability of its glyphosate business.

I would also make the point that glyphosate remains the single biggest piece of chemistry in the global crop protection industry. Nufarm's position, as one of the world's leading suppliers of that chemistry, is extremely important in terms of our overall business and our ability to leverage glyphosate sales to achieve growth in other products.

As the glyphosate market recovers over the next couple of seasons, I'm very confident that the value of Nufarm's position will be reinforced.

Returning to the 2009 results – and on a more positive note – the company's non-glyphosate revenues increased by 16% to \$1.84 billion. In particular, we saw increased sales of insecticides (up 21% on 2008) and of fungicides (up 10%). These numbers reflect progress in our continued efforts to build a more diversified product portfolio.

The diversification of our geographic exposure also continued, with our markets outside of Australia showing more relative growth. In the 2009 year, Australasia generated 32% of total sales; North America 29%; South America 15%; and Europe 24%.

The Australasian business generated \$850 million in sales and a segment profit of \$118 million. This was below the previous year, due to the glyphosate impact and unusually low demand for products generally as distributors de-stocked and growers minimized their purchases.

The growing season itself here in Australia has been reasonably good in most major cropping regions. Ironically – after another dry start – we are now seeing some crop damage and interruptions to the harvest due to very late season rains. I was in the Merredin area in Western Australia just a couple of weeks ago and that was the major concern of local wheat growers at that time.

Our US business delivered a 23% increase in sales in the 2009 year...but it was in this market where the glyphosate impacts were hardest felt. Gross profit generated by glyphosate sales dropped by \$77 million from the previous year.

In other areas of the US business, we grew revenues by about 17% and margins were also up strongly. Again, this is evidence of a growing portfolio and further penetration into US distribution and some of the more profitable segments of the market.

Our first full year's contribution from the Etigra business – acquired in May of 2008 – also helped strengthen the business in those areas.

Canada had a very good year, with new product introductions and broader distribution opportunities helping to drive a 30% increase in sales.

I have already addressed the challenges we encountered in Brazil. On a regional basis, South America recorded a loss of \$41 million as a segment operating result.

While that result is clearly disappointing, we remained focused on broadening our product offerings in order to access and strengthen our position in important crop segments such as sugar cane, pasture, and citrus. I believe a more diversified exposure in Brazil is an important component of our risk management and better positions Nufarm to capitalize as market conditions inevitably improve.

Severe drought conditions in Argentina weighed heavily on that market, with cereal planting down by about 40%. Despite that, we were able to generate a small increase in sales. Profitability, however, was lower due to the affect of credit pressures and lower glyphosate margins.

On a regional basis, the stand-out business for Nufarm in 2009 was Europe.

It is important to note that Europe is a smaller glyphosate market. Our glyphosate sales represented only 14% of total sales in Europe, compared to between 30% and 40% of sales in most other regions.

The UK, France, Italy, Spain, Portugal and the relatively new operations in Romania and Hungary all generated improved contributions for the year.

In western European markets in particular, Nufarm has completed much of the initial investment in terms of establishing an operating presence in those markets and gaining strong footholds with local distribution.

The much improved European profit reflects the benefits of now introducing additional products across what should be largely a stable cost base.

I'm also pleased to report that – after a prolonged and costly effort – we were able to finally resolve regulatory issues with the UK Competition Commission relating to our acquisition of the AH Marks business. We are now proceeding with the full integration of that business and this will allow us to realize some important synergies.

The 2009 year was also an important year for our seeds business.

It was the first year this relatively new business generated a small operating profit, and we saw continued expansion not only in Australia but in several overseas markets.

The acquisition of Lefroy Seeds (in September 2008) helped strengthen our position in sunflower and sorghum...and two acquisitions just after the conclusion of the financial year – of the Texas based MMR Genetics and Richardson Seeds – consolidated and expanded our sorghum operations.

The seeds business represents a very important growth opportunity for Nufarm, and one that takes advantage of our chemistry position.

The balance sheet at year end was not in as strong a position as we had forecast.

While our gearing level – on a net debt to equity basis – improved from 69% to 57% at the end of July, our absolute net debt level increased slightly to \$938 million.

Shareholders will be aware that the company raised cash through the issue of new equity in mid May. The proceeds of that capital raising – initially intended to pay down debt and

provide additional balance sheet flexibility – primarily funded an unexpected increase in working capital.

Given our expectations of more normal patterns of sales and purchasing in the current financial year, I am confidently predicting that we will see a significant decrease in working capital and improvement in cashflow.

All in all, 2009 was a tough year – not only for Nufarm, but for the crop protection business in general.

Our high cost inventory exposure in relation to glyphosate certainly damaged our results, but we have taken decisive corrective measures to ensure our glyphosate business moves forward on a profitable basis.

As I have said, a conservative approach to risk management in Brazil – and the extremely competitive nature of that market over the past 12 months – also had a negative impact on our full year result.

Overall demand for products was dampened by both climatic factors in major markets around the world (especially here in Australia and in the US)...and by an obvious reluctance – again driven by credit concerns - by our distribution customers and the end users of our products to purchase anything other than the bare essentials.

The lower operating result and the various adjustments in material items combined to deliver a full year outcome that was well below our budget, and well short of our expectations.

Importantly though, we achieved revenue growth and maintained market share positions in most of our country businesses. While glyphosate was clearly a problem, our non-glyphosate revenues increased by 16%.

Our efforts to diversify and grow our product offerings were also rewarded, with strong increases in sales of insecticides and fungicides...and excellent progress towards establishing a valuable position in the higher margin seed treatment segment.

We also continued to grow our geographic base, with a new operation established in Greece and further expansion into markets in Eastern Europe.

And we have made some important acquisitions that will enable our seeds business to build an increasingly important and profitable position across our core crop markets in sorghum, sunflower and canola.

These achievements – while made against the backdrop of a below par profit result – give us confidence that the company is still fundamentally in a strong position.

Turning to business in the first quarter of the current financial year, shareholders will be aware that this is a relatively quiet period due to the timing of seasons in major markets around the world...and it is seldom reflective of how the business will perform over the course of the full year.

You will also be aware that the company has not provided specific guidance on an expected operating profit outcome for 2010. While this is a departure from previous practice, we are conscious of the uncertainties relating to both the extent and timing of anticipated improvements in a number of areas.

We are seeing evidence of improvement in the global credit environment...but how quickly that leads to improved trading conditions and more normal stocking and purchasing behavior is still to be seen.

There has been increased availability of credit in Brazil for the current season but pricing competition has remained very aggressive. The margins we are achieving in Brazil remain below budget but better than last year.

The glyphosate picture will also take some time to come into focus. Our expectations were for this, the 2010 year, to be somewhat of a transition period, with excess inventory making its way into distribution channels and prices remaining competitive.

On the plus side, we believe some parts of distribution will be inclined to restock to more normal levels and this will provide an increased volume selling opportunity.

In the US, we have taken measures to move much of the considerable glyphosate inventory that was on hand at the end of July. This has ensured that we will secure our position in distribution and puts us on a footing to generate more acceptable margins on glyphosate sales for the balance of the year.

With a lower, market competitive cost base and continued strong market access we are very confident that we will see a material improvement in this part of our business this year, and further improvement in subsequent years.

We are also seeing encouraging signs in our Australian business. Recent months have seen strong rainfalls in many cropping regions. As I said earlier, this is not ideal timing for growers wanting to harvest their crops, but it does point to reasonable summer cropping conditions and the business that will generate.

While sales activity is relatively low at this time of the year in Europe, a number of our Southern European businesses – including France and Spain – are generating good results.

Our forecast group result for the six months ending in January 2010 is below that for the same period of last year.

It should be remembered that last year's first half result benefited from an unusual sales mix of higher margin products in an environment that was quite different from current conditions.

Our firm perspective is, however, that – following last year's second half challenges - we are now on a curve that reflects improving business conditions and we remain very confident that net operating profit for the full year will show a considerable improvement on 2009.

As always, the extent of that improvement will be dependent on the usual factors impacting the key selling period in the second half of the year. These include climatic conditions and the competitive environment.

I would now like to make a few brief comments on the proposed transaction involving Sinochem Corporation....

As the Chairman has stated, the current proposal is the result of an unsolicited approach from Sinochem Corporation. After preliminary discussions it was established that Sinochem had a genuine interest in acquiring Nufarm and a negotiation took place resulting in the Heads of Agreement that was signed on September 27.

Sinochem has undertaken a thorough and comprehensive due diligence process and – as was announced earlier this week – is now finalizing its review of various due diligence reports and completing its internal approval process. Sinochem has advised us that if the transaction receives final approval from its own management board, it will then seek approval from the NDRC to execute a Transaction Implementation Agreement (or TIA).

As the Chairman has stated, we are disappointed that Sinochem has not been able to complete these steps within the originally agreed timetable. We accept, however, that this

transaction represents a very large and important undertaking for Sinochem and it must follow its own processes.

The new target date for execution of the TIA is December 23. While Sinochem continues to indicate its intention to proceed with the transaction, Nufarm will co-operate and work with Sinochem to achieve that objective.

If the transaction proceeds, the company enters a new phase under the ownership of another corporation.

I have had the opportunity to be at the management helm of Nufarm through a number of phases ...from a small, privately owned company in the 1970s; to a partly and then fully owned subsidiary of the New Zealand based Fernz Corporation in the 1980s through to 2000; and, more recently, as an Australian incorporated public company.

The company and its employees have adapted well to all of those changes...and those various ownership structures have all contributed something to the growth and success of the organization.

Your company has been through a tough period over the past 12 months...but we operate in an industry that inevitably throws up challenges from time to time.

Regardless of what plays out over the next few months, I look forward to remaining with the business and working with a first class management team and a tremendous group of loyal and committed Nufarm employees throughout the world to see the company get back on the growth curve.

We are focused on a strategy that will see further profitable expansion of Nufarm's global presence.

The patience and support of our shareholders is not taken for granted. We will continue to work very hard to reward that support.

Thank you. I will now hand back to the Chairman.

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