

September 28, 2010

Preliminary announcement

Full year results for the period ending July 31, 2010

Headline results

- **Group revenues: \$2.17 billion** (down 19%)
- **Reported net profit/(loss): (\$22.6 million)** (down 128%)
- **Operating EBIT (excluding material items): \$135 million** (down 51%)
- **Net profit after tax (excluding material items): \$58.6 million** (down 63%)

The directors of Nufarm Limited announced today a tax paid operating profit, excluding material items, of \$58.6 million for the year ended July 31, 2010. The reported 'headline' result was a net loss of \$22.6 million, which includes the impact of material items totalling \$82.6 million.

Operating earnings before interest and tax (EBIT) - prior to the impact of material items - was \$135 million. This compares to \$278 million in the previous financial year.

Group revenues decreased by 19% to \$2.17 billion.

On a per share basis, the company lost 15 cents, compared with last year's earnings of 33.5 cents per share.

This result reflects difficult trading conditions in the global glyphosate segment; an extremely competitive pricing environment; and the negative impact of climatic conditions in various regional markets around the world.

Material items

The company recorded an \$82.6 million after tax loss associated with material items.

Of this amount, \$30.1 million was associated with glyphosate related losses and costs relating to pricing support, the majority of which pertained to higher cost inventory held at the end of the 2009 financial year (\$29.4 million of this total was recorded at the half year). These costs were mainly associated with inventory writedowns; losses on sales; and various measures of one-off support provided to distribution customers during the first six months of the financial year.



The company has resolved that any tax loss that cannot be recouped within eight years will no longer be recognised in the financial accounts, irrespective of the period in which the losses can be offset against taxable income in the tax returns of the individual jurisdiction.

Consistent with this policy, a loss of \$37.5 million was recorded for the non cash write off of previously recognised tax losses in Brazil.

After tax costs of \$10.7 million were associated with operational restructuring activities in the France, and in the UK where the company closed a manufacturing site at Belvedere. The majority of other material items were due diligence costs relating to the Sinochem takeover proposal, the Sumitomo Tender Offer and several seeds business acquisitions.

Final Dividend

Directors resolved not to declare a final dividend for the 2010 financial year.

Business review

A combination of continued pricing and margin pressure in the glyphosate segment; adverse climatic impacts; and a generally weaker demand and pricing environment contributed to very challenging operating conditions during the 2010 financial year and a disappointing profit result.

While Nufarm maintained its market shares in most key products and geographic markets, competition in many segments was intense and this limited Nufarm's ability to maintain margins in certain areas of the business.

Confidence in the early months of the financial period that the global glyphosate issues impacting the industry had stabilised was not realised and the continued instability and value erosion in this segment had a dramatic impact on the group result. While the glyphosate segment had begun to stabilise in some markets by the end of the financial year, the impact of high cost inventory and intense pricing competition during the year was significant.

Glyphosate represented 27% of total revenues in 2010, down from almost 32% in 2009 and 39% in 2008. Glyphosate sales were down by 31% (from \$868 million in 2009 to \$597 million in 2010), despite volumes increasing. The total gross margin contribution from glyphosate more than halved during the same period, with the average gross margin falling to 12% (2009:18%).

The gross profit impact of high cost opening glyphosate inventory and credits given in relation to prior year glyphosate sales was \$57.1 million. Of this amount, \$44.7 million was classified as relating to one-off items.

Revenues associated with products other than glyphosate fell by 13% during the year, although sales of those products increased in a number of markets when measured in local currency. Sales were impacted by both lower volume demand and pricing pressure. Sales declines were recorded in herbicides and insecticides, but fungicide sales were up by about 16% and seeds sales grew strongly.



Climatic conditions in many regional markets saw lower demand for a range of crop protection products, with the increased competition for fewer sales opportunities contributing to a weak pricing environment.

Importantly, sales of new products (those introduced by Nufarm within the previous five year period) increased from 2009 to 2010 by 20% to \$283 million. This increase reflects continued momentum in the development and introduction of products that will be important contributors to the company's profitable growth. As a group, these products generated average gross margins of just under 40%.

Australasia

The Australasian business generated \$799 million in sales, representing 37% of total revenues. This compares with 2009 sales of \$850 million (32% of total). Segment profit¹ fell from \$118.5 million in the 2009 financial year to \$89.2 million in 2010, a decline of 25%.

Revenues in Australia fell by 7% to \$602 million. Glyphosate sales were slightly up on the previous year, but on much stronger volumes.

Climatic conditions in Australia varied throughout the period, with the first half affected by reduced summer cropping activity and second half autumn and winter conditions being positive in the Eastern and Southern states and poor in Western Australia.

Volume demand over the full year was relatively strong, but pricing and margins were negatively impacted by strong competition. Nufarm's distribution customers also operated on lower than normal inventories and this impacted the working capital position.

Nufarm introduced a number of new horticultural products and performed strongly in this segment. High sugar prices also saw increased plantings in the cane growing regions and the company's Crop Care division benefited from those additional sales opportunities.

New Zealand sales declined by 2% in local currency, with the majority of this decrease attributable to lower value glyphosate sales. The New Zealand market was adversely impacted by drought in many regions, a cessation of dairy expansion and farmer focus on debt reduction through cautious spending. Retailers adopted ambitious inventory reduction plans which further limited opportunities to generate profitable sales.

In Asia, Nufarm expanded its sales activity into a number of markets. The Asian business contributed a stronger profit result on lower sales, with margin improvements in markets such as Indonesia and Japan driving that result. Indonesia performed particularly strongly, with higher than average rainfalls leading to strong herbicide demand and a broader product portfolio securing increased market share in the plantation segment.

¹ Segment earnings before interest and tax, excluding the impact of material items



North America

On a segment reporting basis, North American sales were down by almost 29% on the previous year (\$554 million v \$775 million). The region generated 25.6% of total revenues (2009: 29%). Segment profit was \$33.2 million (2009: \$112.2m).

Nufarm's USA sales declined by 10% in local currency to \$393 million. Glyphosate sales were down by 44% and comprised 28% of total sales.

A long and severe winter delayed cropping activity in the US, with spring rains also reducing the pre-seeding herbicide market in key regions. The glyphosate segment continued to experience price reductions and strong competition, with smaller traders discounting product offerings as they cleared remaining inventories in July. With prices beginning to stabilise at lower levels and major suppliers having worked through higher cost inventory positions, it is expected that a number of smaller glyphosate suppliers will now exit the market.

Non glyphosate sales increased by 15% (in USD) in the USA in the 2010 reporting period.

Hot and humid weather in some areas led to increased disease and insect pressure and Nufarm was able to capitalise on those conditions with its sales in the turf and ornamentals segment increasing by some 25%. An expanded portfolio of cotton products also saw growth in that segment.

US distribution began the year with relatively high stock positions but aggressively ran these down during the main selling season and finished the period with lower than normal inventories.

In Canada, very heavy rainfalls and flooding dramatically reduced cropping activity in the Western regions, with the total cropped area in Canada being the lowest in 10 years. This significantly reduced demand for crop protection products and led to increased competition in many segments. Nufarm's Canadian sales were down by 17% in local currency.

South America

South American segment sales in 2010 were \$342 million. The region recorded a segment loss of \$14.6 million. This compared to a segment loss in 2009 of nearly \$41 million.

In local currency, Brazil sales were down by 15% to 426 million reals. Glyphosate comprised 34% of total sales in Brazil (2009: 39%). Excluding glyphosate sales, revenues in Brazil declined by just under 4%.

New suppliers entering the Brazilian market over recent years have led to increased competition in a number of segments, impacting glyphosate and several other products. During the period of volatile glyphosate pricing, Nufarm provided various forms of support to its distribution customers in Brazil and this severely impacted profitability during the year.

Credit risk also remained a key issue for much of the year and this restricted Nufarm's selling opportunities.

Brazil generated a loss of R\$25.8m at the operating EBIT level versus a loss of R\$49.7 the previous year.



The company strengthened its position in insecticides with the launch of 'Nuprid' (imidacloprid) and continued to expand in the pasture segment. A number of other new product launches improved the balance of the portfolio between herbicides, insecticides and fungicides.

Nufarm appointed a new regional manager for South America in March, 2010, and commenced a review of its Brazilian business. A number of changes were implemented during the balance of the period, including a restructure and expansion of the company's sales force.

Sales in Argentina increased by some 16% in local currency with an improved product mix generating stronger margins and a better EBIT performance than in the previous year. Nufarm's businesses in both Chile and Colombia also generated improved performances.

Europe

European sales fell by 25% to \$475 million (21.9% of total revenues v 24% in 2009). Measured in Euros, sales declined by 9%. Segment profit, at \$53.4 million, was substantially down on the previous year (\$118.8m).

Climatic conditions in Europe had an adverse impact on demand for Nufarm's product range. The financial year commenced with a dry autumn and was followed by long and harsh winter conditions. A generally cool and dry spring also dampened demand in some markets. Grower purchases of crop protection inputs were down by between 10% and 20% in some of the larger European markets.

In Germany, the cereal herbicide market was down by about 9% and the potato fungicide market saw sales decline by almost 50%.

The reduced demand also impacted Nufarm's European based manufacturing operations with lower production volumes resulting in under-recoveries in those plants.

In past years European markets had been relatively protected from competition from Chinese sourced glyphosate and margins were strong. The increased competition in the glyphosate segment has resulted in a substantial drop in the profitability of this segment in Nufarm's European business. This is despite glyphosate being a comparatively small proportion of total sales in Europe (2010: 13%).

Nufarm experienced overall sales declines in most of its European markets, with the biggest falls recorded in France and Germany. Market shares, however, were maintained in most countries and there were some market share gains in markets such as the UK (where branded products increased year on year), Spain, the Nordics region, and Eastern Europe. These gains were driven by new product introductions and increased support from local distribution customers.

Nufarm launched its Ukraine business in October of 2009 and generated good first season sales. Sales in Romania were up by 20% in local currency and 10 new product registrations in Poland helped secure market share gains.



Seeds

While remaining a relatively small business within Nufarm, the Nuseed business expanded strongly during 2010. This expansion was driven by both organic growth – particularly in Australia – and by the additions of newly acquired operations in the USA and Argentina. The seeds business recorded total revenues of \$42.5 million and a gross margin of more than 40%.

Seasonal conditions in Australia were favourable to larger canola plantings. Nuseed launched three new Roundup Ready canola products, coinciding with the Western Australian government's decision to lift a moratorium on genetically modified canola. Total Australian Roundup Ready canola plantings increased from about 40,000 hectares in 2009 to approximately 140,000 hectares in the 2010 season. Nuseed increased its market share in this segment.

Nuseed now breeds and markets its core canola, sorghum and sunflower varieties in more than 25 countries from operational bases in Australia, the USA and Argentina.

Sumitomo investment and co-operation

On April 15, 2010, Sumitomo Chemical Company (Sumitomo) completed a Tender Offer to acquire 20% of the issued capital in Nufarm at a price of \$14 per share. In an associated agreement with Nufarm, Sumitomo has the right to appoint one Director to the Nufarm Board. That appointment has not yet been made as both companies continue to address certain regulatory approvals relating to the appointment.

The Sumitomo investment has also facilitated a number of commercial agreements between Nufarm and Sumitomo relating to product distribution and product development. Completed agreements include arrangements that result in Sumitomo products being distributed by Nufarm in markets including Brazil and Indonesia.

Treasury

The company generated nearly \$200 million in operating cash flow in 2010, compared to an operating cash outflow of \$50 million in 2009. This was despite the higher than expected receivables at year-end. The cash not collected from receivables prior to year end is being collected in the early months of the 2011 financial year, in accordance with the normal trading terms.

The improved cash flow was directly attributable to a reduction in net working capital of \$165 million, primarily from reduced inventory holdings.

An increase in cash from operations, combined with the proceeds of the April/May 2010 equity raising, facilitated a reduction in net debt (\$620 million at July 31, 2010 compared to \$938 million at July 31, 2009).

At year end, gearing (net debt to equity) was 35% compared to 58% at July 2009.



Subsequent events

Nufarm announced on September 27 that it has secured waivers on its banking covenants in respect of the periods ending July 31, 2010 and October 30, 2010. Nufarm's lenders have also agreed to provide a funding facility for the period through to mid December.

The waiver agreement has been finalised with banks that are a party to the Negative Pledge Deed (Nufarm's core financing document) and addresses all maturities falling due during the balance of this calendar year.

The funding facility is subject to satisfactory performance against interim milestones based on the company's own projections and objectives, as well as progress relating to strategy and management plans, as discussed with its lenders. The Nufarm Board is confident that the milestones and other requirements can be met. The facility is also subject to undertakings and covenants typical for a transaction of this nature and includes an undertaking by Nufarm to provide security over its assets.

These arrangements will incur additional costs relating to fees associated with the provision of waivers; additional interest costs; and associated advisory fees. It is estimated that these costs will total up to approximately \$10 million for the period through to mid December when the company intends to have in place a more efficient long-term banking structure. Approximately \$8 million of this total relates to one-off waiver and advisory costs.

Nufarm is now working with its lenders to establish the new financing structure and is confident of finalising new arrangements by mid December.

Strategic Review

On July 14, 2010, it was announced that a comprehensive strategic review is being undertaken to identify potential improvements to Nufarm's financial and reporting systems, and to confirm what business and strategic changes are required to ensure Nufarm can achieve sustainable and profitable growth.

It has been confirmed that Deloitte and Gresham Advisory Partners are assisting the company with that review process.

The review will continue for several months, with an update planned to be given to shareholders at the Annual General Meeting on December 2, 2010.

Outlook

Following a difficult financial year in 2010, the company expects to benefit from increased stability and improved trading conditions in certain market segments in the 2011 reporting period.

The glyphosate segment will continue to be very competitive and Nufarm expects to generate margins on glyphosate sales that will be below the average margins achieved in the balance of the business. The company has commenced the year with a market



competitive cost position and no legacy issues associated with high cost glyphosate inventory. Glyphosate-related writedowns and other 'one-off' costs associated with the market volatility and inventory issues of 2010 are not expected to recur.

A return to more average seasonal conditions in key markets would result in increased demand and volume opportunities and would facilitate a more favourable pricing environment in a number of market segments.

Management and structural changes in Nufarm's Brazil business, coupled with any further recovery in Brazil's general credit environment and more rational market behavior, is likely to lead to an improvement in the profitability of that business in 2011. The addition of several new products will also improve the overall margins likely to be achieved in Brazil.

The company will continue to develop and introduce new products in various segments and geographic markets throughout 2011, with a much stronger focus on higher value opportunities in insecticides, fungicides, seed treatment and seeds.

These factors and initiatives provide strong confidence that the group will generate an improved profit outcome for the 2011 financial year.

A handwritten signature in black ink, appearing to read 'D J Rathbone', followed by a period.

D J Rathbone
Managing Director