Nufarm Limited ACN 091 323 312
103-105 Pipe Road, Laverton North, VIC Australia 3026
Telephone: (03) 9282 1000 Facsimile: (03) 9282 1002
Postal Address: PO Box 103, Laverton, VIC Australia 3028

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Preliminary announcement

Full year results for the period ending July 31, 2011

Nufarm reports strong recovery in underlying performance

Highlights

- **Group revenues: $2.08 billion, down by 4%**
- **Reported net loss of $49.5 million, compared to loss of $22.6 million in 2010**
- **Operating EBIT (excluding material items) of $192 million (2010: $135 million)**
- **Underlying net profit after tax (excluding material items) of $98.3 million, up by 68%**
- **Gross profit margin improved to 28% (2010: 26%)**
- **Net debt reduced to $465 million (July 31 2010: $619 million) on more efficient working capital and strong operating cash flows**

The directors of Nufarm Limited announced today that the company generated a statutory headline loss of $49.5 million for the 12 months to July 31, 2011. Material items amounted to a net loss of $148 million and included a non-cash impairment charge of $70 million on the carrying value of Nufarm's Brazilian assets.

Excluding the impact of material items, the company reported an underlying net operating profit of $98.3 million. This compares to an underlying net operating profit of $58.6 million in the previous year.

Operating earnings before interest and tax (EBIT) – prior to the impact of material items – was $192 million, an increase of 42% on the $135 million recorded in the 2010 financial year.

Group revenues decreased by 4% to $2.08 billion, with sales of glyphosate down 30% and sales of other products up by 6%.

The operating result represents a considerable improvement on the previous year. It reflects a repositioning of glyphosate within the business and strong growth in higher value, non-glyphosate product segments, which is consistent with the strategic direction of the company.

Improved efficiencies in working capital management helped generate operating cash flows of $154 million and a reduction in year ending net debt level to $465 million, down from $619 million as at July 31, 2010.

Material items

The after tax loss associated with material items was $148 million.

The company has recognised an impairment loss of $70 million associated with its business in Brazil. Recent restructuring measures have contributed to a significant improvement in the performance of the Brazilian business in 2011. Despite this improvement, and forward projections for additional profit growth, it was determined that a higher discount rate should be applied to future cash flows forecast to be generated in Brazil. This more conservative view reflects adjusted assumptions relating to Nufarm's future earnings in Brazil, particularly as they relate to the company having a much smaller and lower value position in glyphosate.

Several older insecticide products are being phased out of our Brazilian product portfolio due to regulatory requirements. The company has taken a partial (50%) write down on the carrying value of intangible assets associated with these products (net $4.3 million), with the balance to be written down in the 2012 financial year when the phase out is completed. Replacement products are being introduced into the portfolio.

The impairment loss was fully allocated to goodwill and the write down on products being phased out of the portfolio was allocated to indefinite life intangibles. The carrying value of total intangible assets in Brazil has subsequently been adjusted downwards to $202 million.

The company has also written down (by $4.9 million) the value of a minor equity investment in Indian crop protection company Excel Crop Care Limited.

Net costs associated with Nufarm's debt refinancing were $17.2 million. These costs related to the 12 month syndicated facility that was put in place in December of 2010 and some costs associated with new financing arrangements that will replace that facility. The balance of the costs associated with the new facility will be amortised over the term of the facility.

There was a net $14.7 million loss associated with the year end mark-to-market revaluation on Nufarm's Step-Up Securities (NSS).

The company announced on September 12 that it had executed a binding settlement agreement in relation to a receivables dispute. The settlement resulted in a partial recovery of proceeds associated with the receivable ($13.5 million) and the subsequent write down of unrecovered funds. The write down has been treated as a material impact in the 2011 accounts and resulted in an after tax loss of $28 million.

Other one-offs included legal and consultancy costs, and restructuring charges, particularly those relating to a re-organisation of the sales force in Brazil.

Final Dividend

Directors resolved not to declare a final dividend for the 2011 financial year.

Business review

The business was exposed to a mix of climatic conditions during the 2011 financial year. Australia experienced generally positive conditions, while Nufarm's businesses in key northern hemisphere markets were negatively impacted by climatic factors.

The company completed a comprehensive strategic review during the period, resulting in a stronger focus on growth in non-glyphosate product segments. Important progress was made during the year, with those segments generating a 6% increase in revenues and contributing to an improvement in overall gross margin to 28% (2010: 26%).

As expected, the glyphosate segment remained very competitive. Raw material costs and finished product pricing were, however, less volatile than in the previous two years and this increased stability in the glyphosate segment contributed to more efficient purchasing and inventory management.

Nufarm elected not to participate in some glyphosate market segments where margins were unacceptable. Glyphosate sales represented 20% of total revenues (down from 28% in 2010) and generated an average gross margin of 15% (2010: 12%).

Insecticide sales increased 24% year on year; fungicide sales were up by 18% and sales of non-glyphosate herbicides increased marginally. Seed and seed treatment sales were up strongly (57%), assisted by the first full year of earnings contributions from businesses acquired during the 2010 financial year.

Australia / New Zealand

The Australian and New Zealand businesses generated $696 million in segment sales, representing 33.4% of total revenues. This compares with 2010 sales of $655 million (30.2% of total). Segment profit[1] increased from $68.6 million in the 2010 financial year to $112.7 million in 2011.

Revenues in Australia were up by 6% and generated an improved gross margin, mainly driven by a more profitable product mix.

Summer cropping conditions in Australia were very favourable, with increased rainfall supporting bigger plantings of cotton, sorghum, rice, sugar and other horticultural crops. Insect and disease pressure was also relatively strong and this helped drive increased sales of higher value insecticide and fungicide products.

The major winter planting period was characterised by wet conditions in Eastern and Southern States and a very dry lead-in in Western Australia. Post-planting rains have generated strong sales of cereal fungicides.

The glyphosate business in Australia saw increased competition from fully formulated product sourced in China and this reduced margins in the non-differentiated segment of the market. Nufarm's sales in this segment were lower than in the previous year. The premium

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

glyphosate segment – where Nufarm supplies a number of differentiated formulations – provided more acceptable margins.

The Australian business – via both its Nufarm and Crop Care brands – introduced a number of new products to the portfolio during the year and these performed very strongly.

New Zealand sales were up year on year in local currency. After a slow start due to adverse weather impacts in the spring, the pastoral market responded to buoyant farm commodity prices with a lift in farm input spending.

The company completed a major capital project at its Otahuhu site in March and commissioned a granulation facility capable of extruding, coating, or loading insecticides, fungicides, molluscicides and trace elements. This facility is an important platform for Nufarm's global objectives in the insecticide and fungicide markets.

Asia

Nufarm is reporting Asia as a separate geographic segment this year. Asian sales were $156 million in 2011 (7.5% of total revenues), compared to $144 million in the previous year (6.6% of total revenues). Segment profit was $21.7 million (2010: $20.5 million).

Seasonal conditions were average in most Asian markets.

Nufarm's Indonesian business generated increased sales and profitability, with additional market penetration and an expanded product portfolio. Glyphosate margins remained relatively strong, assisted by Nufarm's 'Roundup' brand position.

While sales in Japan were slightly lower, margins were stronger and the business reported an increased profit.

Asian sales of insecticides and fungicides were up strongly in the 2011 reporting period.

North America

On a segment reporting basis, North American sales were down by almost 19% on the previous year ($450 million v $554 million), however this reduction was much smaller when measured in local currencies. The region generated 21.6% of total revenues (2010: 25.6%). Segment profit was $35.9 million, a slight improvement on the previous year ($33.2 million).

Nufarm's USA sales declined by 7% in local currency to $344 million but generated a higher gross margin on those sales.

Climatic factors contributed to lower sales in a number of US market segments, with severe drought conditions negatively impacting demand for crop protection in southern states and cool and wet conditions reducing demand in the upper Midwest. Strong commodity prices, however, encouraged large plantings of crops.

Nufarm's US business previously included a large proportion of glyphosate sales and is now transitioning to a more diversified product mix in the agriculture segment. Glyphosate sales in the US were down by 58% on the previous year, with Nufarm choosing not to participate in low value segments of the agriculture market. Increased sales of cotton products and a range of other products indicated strong support from distribution customers as the company continues to reposition its business.

Sales in the turf and ornamental segment were also down on the previous year, driven by a combination of adverse weather conditions and continuing economic pressures, particularly in the US housing sector. Several new product launches performed very strongly.

Despite negative market conditions, Nufarm generated record sales and margins in the industrial vegetation management (IVM) segment. New product introductions were again the major contributor to growth in this segment.

Canada experienced flooding for the second consecutive year, resulting in an estimated seven million acres not being planted. High starting inventories in distribution channels also contributed to lower sales, although stocking levels had returned to normal by the end of the spring planting season. Nufarm increased its market share in the cereal grass herbicide segment, but at lower margins compared to previous years.

South America

South American segment sales in 2011 were $339 million, slightly down on 2010 ($342 million). Sales in this region comprised 16.3% of total revenues (2010: 15.7%). The region recorded a segment profit of $17.9 million, representing a strong improvement on the previous year's segment loss of $14.6 million.

Improved market conditions and effective execution on a restructuring and diversification strategy in Brazil contributed to a strong improvement in Nufarm's performance in the 2011 financial year. In local currency, Brazil sales were slightly lower (R$428 million v R$436 million), but a more profitable product mix generated a significant improvement in gross margin (25% v 17%). The Brazil business generated an operating EBIT of $6.3 million, compared to an operating loss of $17.1 million at the EBIT level in the previous year.

Nufarm significantly reduced its market presence in the glyphosate segment. Sales in this segment were down by more than 80% on the previous year. Sales in other product segments, however, increased by 32%, reflecting strong progress on the diversification strategy. New products – including those introduced via new distribution arrangements with Sumitomo Chemical Company – generated strong sales and margin contributions.

Nufarm extended its sales reach into a number of additional regions and benefited from the restructuring of its sales force from commission based to fulltime employees.

In Argentina, Nufarm increased sales but strong market competition resulted in a slightly weaker profit performance than in the previous year. Nufarm's businesses in Colombia and Chile generated improved performances.

Europe

European sales fell by 7% to $442 million (21.2% of total revenues v 21.9% in 2010). Segment profit was $35.9 million, down from $53.4 million the previous year.

The European results were negatively impacted by adverse climatic conditions in key regional markets. Some of the hottest and driest conditions on record in major European markets – including France, Germany and the UK – reduced demand for Nufarm's higher value cereal herbicides and fungicides during the important spring selling season. It is estimated that cropping activity in France was down by some 15-20% due to these conditions. Southern European markets experienced more favourable weather conditions.

Nufarm generated increased sales and improved margins in a number of markets, but the weather-affected result in France was disappointing. When measured in local currency, Nufarm's Mediterranean markets recorded revenue growth as did the majority of the eastern European businesses, especially Romania.

Glyphosate pricing was very competitive during the period, with the company looking to make opportunistic sales where margins were acceptable.

Strong global demand for phenoxy herbicides and a subsequent increase in production improved overhead recoveries in the European based manufacturing plants.

Several new products were introduced during the year with strong early support from distribution customers and positive feedback from end users.

Seeds

The Nuseed business achieved substantial growth in sales, margin and EBIT in the 2011 period. Seed segment sales were $65.7 million, compared to $41.9 million in the previous year. Segment profit was $18.8 million (2010:$5.4 million).

Increased canola plantings in Eastern Australia were offset by lower plantings in Western Australia due to dry conditions. Drought conditions in the southern USA sorghum growing regions negatively impacted sales. Weather conditions in Nuseed's sunflower growing markets were, however, excellent.

Nuseed's strong performance was driven by the full year contribution of businesses acquired in the previous year; market share growth in the elite hybrids segments of Nuseed's core crops; and higher sales of newly launched seed treatment formulations. Additional product development, marketing and sales resources were put in place to support growth in the high value seeds and seed treatment segment.

An increased focus on down-stream marketing helped drive significant additional demand for Nuseed's 'Monola' specialty canola oil. The period also saw an increase in demand for Nuseed's confection sunflower hybrids in China.

Sumitomo investment and co-operation

Sumitomo Chemical Company (Sumitomo) increased its shareholding in Nufarm during the 2011 financial year and now owns 23% of issued capital.

Nufarm and Sumitomo completed a number of agreements to co-operate via product distribution arrangements and research and development projects; and in relation to tolling and logistics.

These agreements provided Nufarm with the ability to distribute Sumitomo products in a number of markets around the world. The addition of these products helped Nufarm to diversify its product offerings and accelerate growth into higher value market segments. Both companies continue to investigate further areas of possible co-operation.

Treasury

Net debt at year end was $465 million, down from $620 million. Gearing (net debt to equity) was 30% compared to 35% at July end, 2010.

Receivables fell from $853 million at July 31, 2010, to $666 million at July 31, 2011. Year end inventories were also slightly lower than in the previous year ($542m v $553m) and payables were in line. The overall change in net working capital was an improvement of $199 million. The company generated nearly $154 million in operating cash flow in 2011.
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Financing update

The company has received credit approved offers and underwritten proposals enabling Nufarm to proceed with the refinancing of the maturing bank facility on a basis which provides longer tenor. Those offers involve financing commitments which, in total, exceed the $600 million that is due to be repaid in December.

Receipt of these offers, along with the release today of final audited accounts, will allow Nufarm to further advance the refinancing negotiations and work with prospective financiers to determine final composition and details of the new banking arrangements.

The company announced on September 23, 2011, that it will 'step up' the Nufarm Step-up Securities (NSS). This will result in the interest margin attached to the NSS being stepped up by 2.0%, with the new interest margin being set at 3.9% as at November 24, 2011 for the next distribution after that date. No other terms will be adjusted and there are no further step-up dates.

The NSS continue to represent an efficient form of capital for Nufarm. The NSS are classified as equity on Nufarm's balance sheet and are treated as 50% equity / 50% debt for credit rating purposes. Nufarm retains the right to redeem or exchange the NSS on future distribution dates. This provides considerable flexibility to refinance these securities at a suitable time in the future, should the company elect to do so.

Outlook

The general outlook for the agriculture sector remains positive over, at least, the short to medium term. Soft commodity prices are expected to remain relatively high, encouraging growers to maximize yields. Given favourable weather conditions, cropping activity in Nufarm's major markets should be strong.

The company will continue to focus on diversification of its product portfolio and growth into higher value market segments in the 2012 financial year.

Further growth is expected in non-glyphosate segments, driven by additional marketing and sales focus; introduction of new products; and access to additional products via the strategic relationship with Sumitomo Chemical Company.

Several insecticide products will be phased out in Brazil in the 2012 period, due to regulatory requirements. Replacement products are being introduced and the company is confident of being able to consolidate its much improved performance in that market in 2011.

The glyphosate segment is forecast to remain very competitive and the company expects to generate an average gross margin on glyphosate sales generally in line with that achieved in the 2011 period.

Competition is expected to be strong in most of the markets where Nufarm operates.

With increased certainty relating to its financing position; a strong focus on business improvement initiatives; and further momentum behind the company's product diversification strategy, Nufarm is well placed to achieve operating profit growth in the 2012 financial year.

D J Rathbone
Managing Director