

2010 Full Year Results

September, 2010



Doug Rathbone

Managing Director



2010 Full Year results



Major impacts

- **Glyphosate-related write-downs and margin pressure**
- **Adverse climatic conditions**
- **Strong competition and weak pricing environment**

Headline results

	2010 12 mths to July 31	2009 12 mths to July 31
Group revenues	\$2.17 billion	\$2.68 billion
Reported profit/ (loss)	(\$22.6 million)	\$79.9 million
Operating EBIT (pre material items)	\$135 million	\$278 million
Earnings per share	(15 cents)	33.5 cents

Overview

- **Glyphosate-related impacts continued into 2010 financial year with additional pricing pressure and oversupply issues resulting in further write-downs and margin loss.....but signs of stability are emerging**
 - Nufarm took measures to support distribution customers and maintain market share positions
- **Adverse climatic conditions affected timing of sales and reduced demand in many key markets**
- **Additional competition for fewer sales resulted in pricing and margin pressure**

The glyphosate impact

	Glyphosate		
	<i>the BUBBLE</i>	<i>the BURST</i>	
	2008	2009	2010
Sales	\$962m	\$868m	\$597m
% of total	39%	32%	27%
Av. gross margin %	31%	18%	12%
GM \$ contribution	\$296m	\$155m	\$69m
% of total gross margin contribution	39%	21%	13%

Write-downs and customer support measures resulted in a negative \$57.1 million impact at the gross profit level

Glyphosate

- **We assume excess capacity over the long term**
 - 'Tech' pricing will remain competitive
 - Market pricing will also remain competitive
 - Nufarm will have different margin opportunities/leverage in different markets/segments
- **'Arbitrage' opportunity for traders has now passed**
 - Smaller players are leaving the market
- **Market access and opportunity to secure higher value sales will be key**

Forecast assumptions

- Average gross margin of 15-20%
- Average revenue contribution of approx 25%

Other segments

- **Sales of non-glyphosate products fell 13% year on year**
 - In local currency non-glyphosate sales increased by 15% in USA and fell by just 4% in Brazil and Europe
- **Gross margin contributions from phenoxy herbicides increased on lower sales**
 - AH Marks synergies
 - Product differentiation
- **Lower insect pressure/demand resulted in lower insecticide sales**
- **Fungicide sales and gross margin contribution up 16%**
- **Strong sales and margin growth in seeds**

Some positives

- **Market access and market share positions maintained**
- **Growth in US turf and ornamental segment**
- **Additional market penetration and margin growth in Asia**
- **Successful expansion in Eastern Europe**
- **Significant product launches**
 - 'Nuprid' (imidacloprid)
 - 'Sativa' and 'Mystic' (tebuconazole)
- **Successful integration of several new seed businesses**

We have consolidated and strengthened our global supply and distribution base, and maintained momentum in terms of growth into higher value segments

Kevin Martin

Chief Financial Officer



2010 Full Year results



Profit analysis

\$'000s Net profit after tax	2010	2009
Operating profit	58,566	159,632
Material items	<82,556>	<79,755>
Attributable to shareholders	<23,990>	79,877
Minority Interest	1,338	665
Headline result	<22,652>	80,542

Material items

\$'000s Net of tax	2010	2009
Due diligence / Competition Commission	4,548	11,546
Glyphosate related costs	30,074	63,456
Restructuring costs	11,034	2,713
Other	<636>	2,040
Tax loss write off	37,536	
	82,556	79,755

2010 Full Year results



Profit rollforward

\$'000s	2010	2009	Movement
Sales	2,168,630	2,677,083	<508,453>
Gross profit excl. material items	529,890	677,439	<147,549>
Expenses excl. material items	<403,399>	<412,910>	9,511
Other income	8,641	11,054	<2,413>
Associates profit	47	3,080	<3,033>
Operating profit (segment result)	135,179	278,663	<143,484>

Analysis of gross profit movement

\$'000s	
Glyphosate	<99>
Insecticide	<16>
Phenoxy herbicide	<10>
Other herbicide	<20>
Net all other	<3>
	<hr/>
	<148>
	<hr/>

Working capital movement

\$'000s	2010	2009	Movement
Receivables	852,986	787,760	65,226
Inventory	553,432	797,383	<243,951>
Payables	<393,868>	<407,421>	13,553
Net working capital	1,012,550	1,177,722	<165,172>

2010 Full Year results



Net debt

\$'000s	2010	2009
Borrowings short term	794,164	620,361
Long term	13,633	402,327
Cash	<188,741>	<84,312>
Net debt	<u>619,056</u>	<u>938,376</u>
Opening balance net debt		<938>
Less capital raising		246
Less cash from operations		195
Capital expenditure		<46>
Business acquisitions		<43>
Product development and intangible		<45>
Net all other		12
		<u><619></u>

Brian Benson

Group General Manager - Agriculture

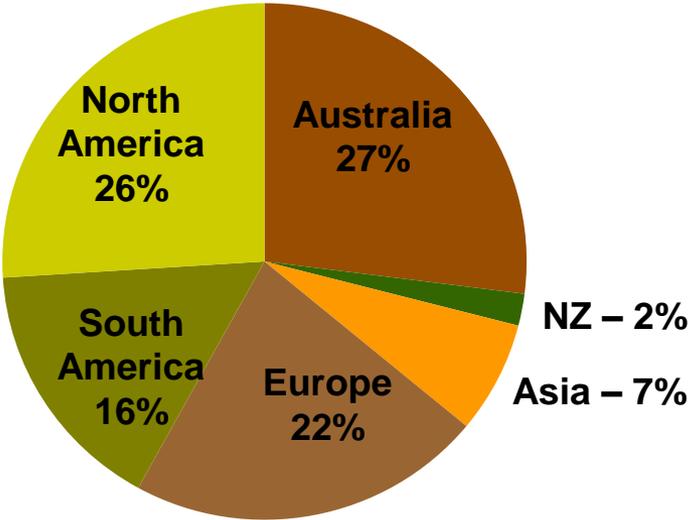


2010 Full Year results



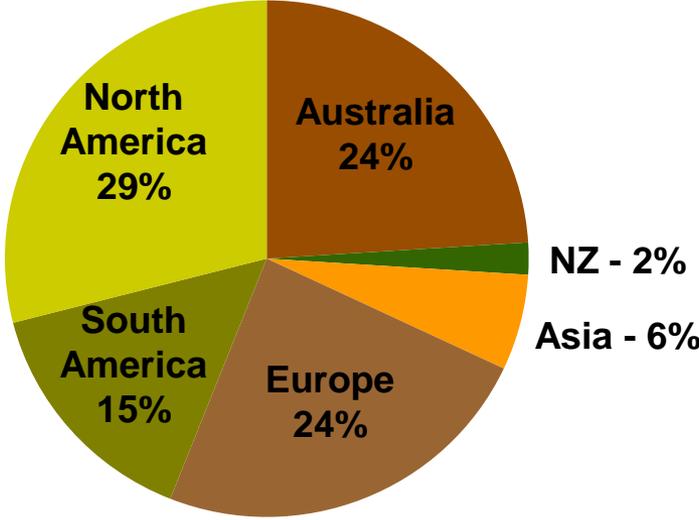
Nufarm sales by geography

2010



Total sales - \$2.17 billion

2009



Total sales - \$2.68 billion

2010 Regional overview



Australasia

Key drivers

Australia

- Summer crop plantings down by more than 20% on previous year
- Eastern/Southern States experience positive autumn/winter growing conditions
- Western Australia is well below average
- Glyphosate volumes up, but pricing/margins down
- Strong performance in horticulture, cotton and sugar segments
- Revenues down by 7%; very competitive pricing environment

New Zealand

- Drought impact in some regions
- Challenging conditions prevailed in dairy sector
- Revenues down by 9%

Asia

- Improved profit performance
- Indonesia benefits from higher rainfall and herbicide demand

	<u>2010</u>	<u>2009</u>
Revenue	\$799m	\$850m
Segment profit ¹	\$89.2m	\$118m

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

2010 Regional overview



North America

Key drivers

USA

- Climatic conditions impact timing and demand
- Continued instability and pricing pressure in glyphosate segment
- Aggressive de-stocking by distribution
- Strong performance in turf and ornamental segment
- Expanded portfolio in cotton
- Ex glyphosate sales increased by 15% in local currency but total sales fell by 10%

Canada

- Heavy rainfall/flooding dramatically reduces planted acreage
- Some new competition in grass herbicide segment
- Overall market share maintained

	<u>2010</u>	<u>2009</u>
Revenue	\$554m	\$775m
Segment profit¹	\$33.2m	\$112m

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

2010 Regional overview



South America

Key drivers

Brazil

- Intense competition and margin pressure
- Support measures provided to distribution customers
- Credit issues improving....but still a factor
- 'Nuprid' launch and performance in pasture segment both positive
- New management and restructure of sales force
- Sales down 15% in local currency (ex glyphosate sales down by 4%)

Argentina

- Improved product mix generated higher sales and stronger profit result
- Differentiated glyphosate position
- Seeds operation established

	<u>2010</u>	<u>2009</u>
Revenue	\$342m	\$415m
Segment profit ¹	(\$15m)	(\$40m)

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

2010 Regional overview



Europe

Key drivers

- Climatic conditions difficult across most markets
 - Dry autumn
 - Long, cold winter
 - Cool, dry spring
- Grower purchases declined in line with lower farm incomes
- Significant volume reductions in some segments
- Total sales declined by 9% (measured in Euros). Ex glyphosate sales down 4%
- Subsequent impacts on European manufacturing operations
- Market shares held in most countries; gains in UK, Spain and Eastern Europe
- Nufarm Ukraine launch
- New product introductions

	<u>2009</u>	<u>2009</u>
Revenue	\$475m	\$637m
Segment profit¹	\$53.4m	\$119m

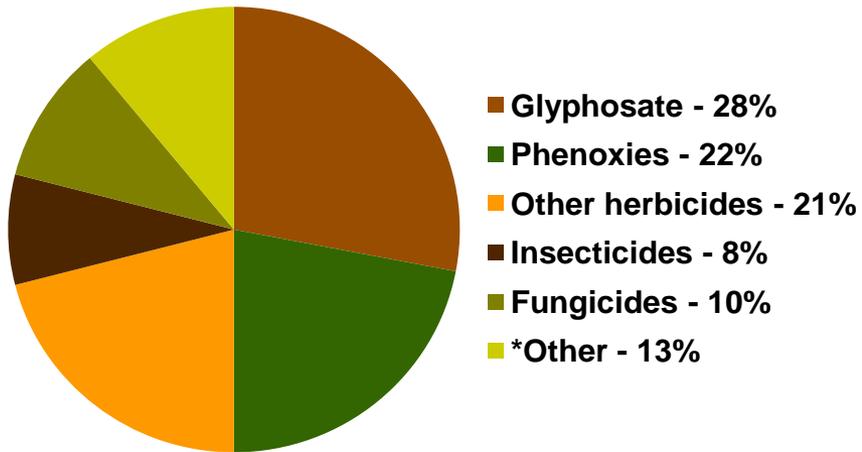
¹Segment earnings before interest and tax, excluding impact of material items

2010 Full Year results



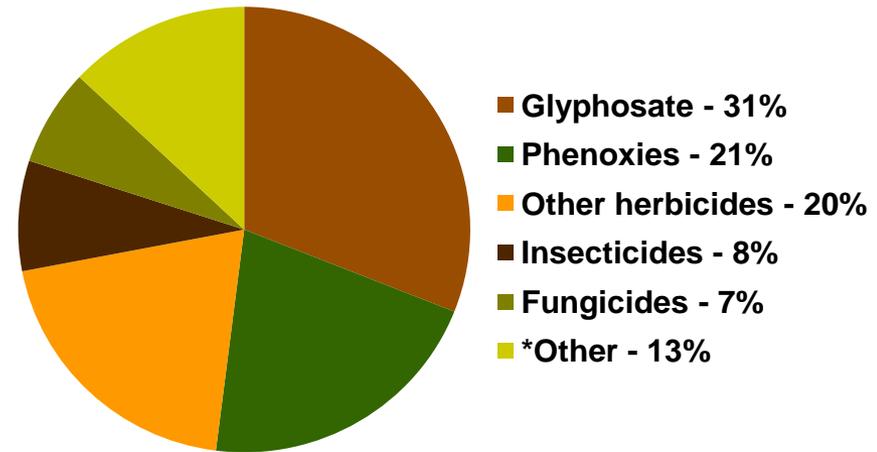
Sales by key products

2010



Total sales - \$2.17 billion

2009



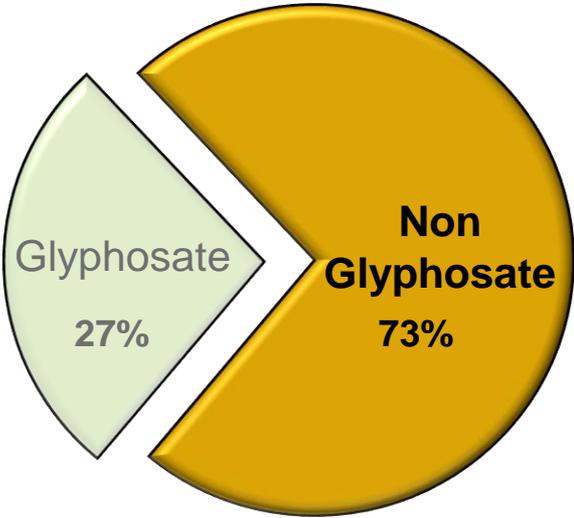
Total sales - \$2.68 billion

*Other – includes PGR's; adjuvants; seed treatments; seeds; spray machinery; industrial sales

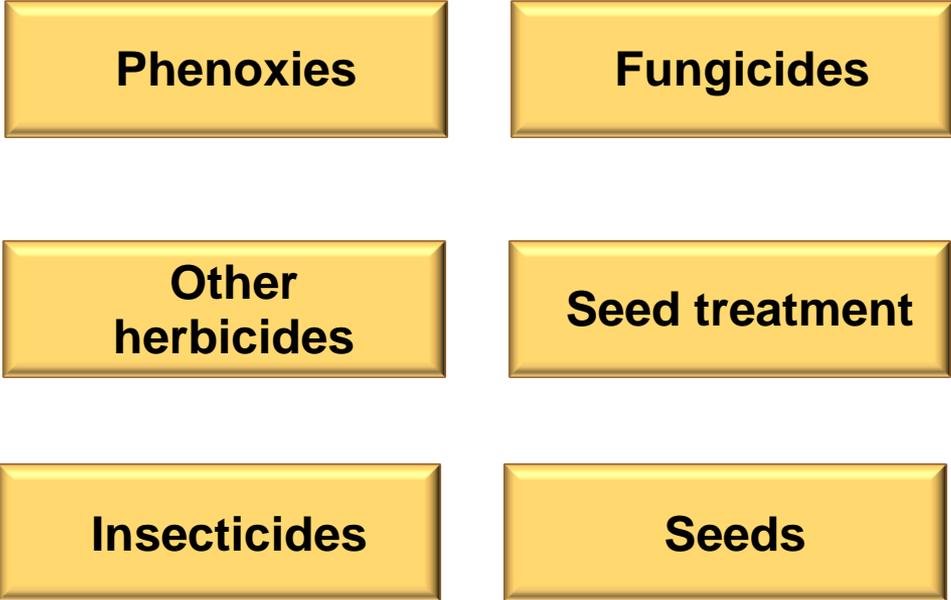
2010: Key segments review



Our growth will be driven by profitable expansion into higher value product segments



2010 sales: \$2.17b



2010: Major segments review



Phenoxies

2010 sales	CAGR 2006-2010
\$475m	5%
Av. GM % 2010	% total GM \$
33%	30%

Phenoxy outlook – growth in glyphosate resistance will continue to create opportunities for phenoxies

- Global leadership position and fully integrated
- Increased competition in some 2,4-D markets
- Operational efficiencies realised in methyls
- Dichlorprop-p registration received in Canada
- Corasil PGR launched in Spain and South Africa
- New formulations/differentiation strategy
- Trait implications on horizon

2010: Major segments review



Other herbicides

2010 sales	CAGR 2006-2010
\$453m	6%
Av. GM % 2010	% total GM \$
31%	26%

2010 Key Product introductions

- Four SU products launched in USA
- Nicosulfuron- initial EU sales: France, Italy, Greece

- Lower sales value but higher GP achieved
- Strong growth in pyridines
- Mixtures development with Bromoxynil continues
- Brazil pastures growth strong
- Dicamba continues to grow
- Glyphosate resistance management opportunity
- Solid growth going forward with rising GP

2010: Major segments review



Insecticides

2010 sales	CAGR 2006-2010
\$174m	27%
Av. GM % 2010	% total GM \$
34%	12%

2010 Key Product introductions

- **Nuprid – Brazil, France, Italy, Spain, Netherlands, Hungary, Portugal, Croatia, Czech, Russia, Turkey, Egypt**
- **Kaiso – Europe, USA, Argentina**
- **Specialty formulations: suSCon Forestry; Imidacloprid & Tebuconazole**

- **Focus on 4 big insecticide families** (Neonics; OP's; Pyrethroids; insecticide growth regulators)
- **Nuprid (Imidacloprid) provides strong 'foundation' position**
- **'Nuprid' entry strategy very successful**
 - Registrations in 25 countries, selling in 18 countries
 - Targeted at niche, higher value market segments
 - Provides foundation insecticide position for 'new formulations' (Sorbie and suSCon), mixtures, and continued penetration into seed treatment
- **Replacement of 'Phase Out' products in Brazil on track**

Fungicides

2010 sales	CAGR 2006-2010
\$217m	13%
Av. GM % 2010	% total GM \$
31%	13%

2010 Key Product introductions

- Sialex (Sumitomo) in Brazil
- Fluazinam rollout continues in Europe
- Azoxystrobin registered in New Zealand

- **Consolidation and growth of tebuconazole market**

- Used in large number of crops
- Both foliar and seed treatment applications
- Many mixture options available
- Cornerstone active for seed treatment
- Nufarm positions in Australia, Latin America and Europe (60+ registrations)

- **Broad based mixtures strategy well underway**

- Fluazinam (Europe)
- Copper
- Triazoles

Seed treatment

A growth market as growers and breeders seek to protect the increasing value of high performance germplasm

- **Offers a bolt-on, value add revenue stream for Nufarm's expanding seeds portfolio**
- **Able to utilise tebuconazole and imidacloprid positions as cornerstone actives**
- **Started in 2005 with 15 registrations in 4 countries (13 in Australia) to now more than 50 registrations in 15 countries**
- **Dedicated ST staff with significant experience in the US, EU and ANZ geographies**

Seeds

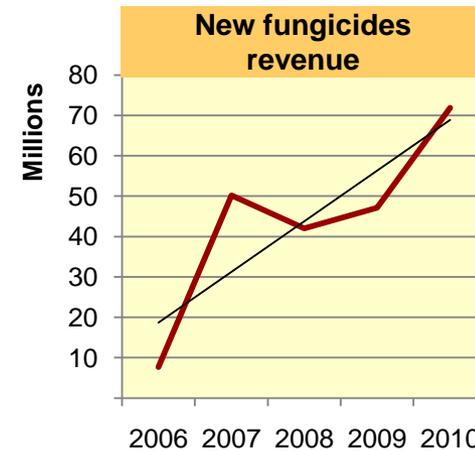
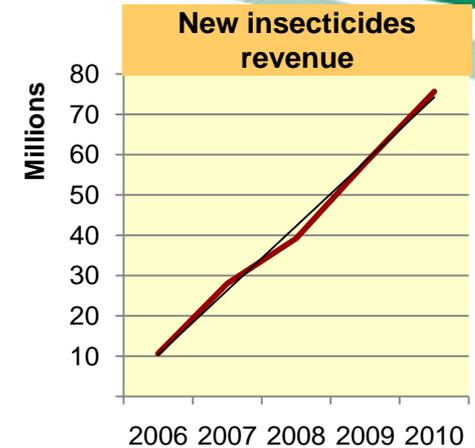
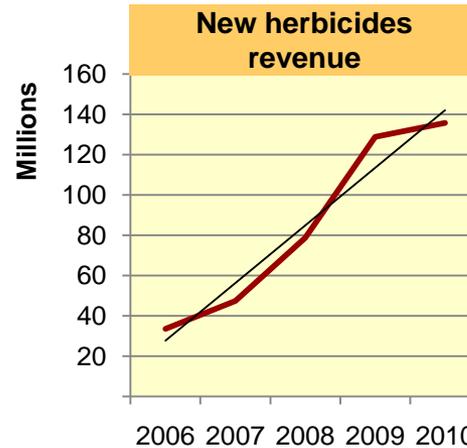
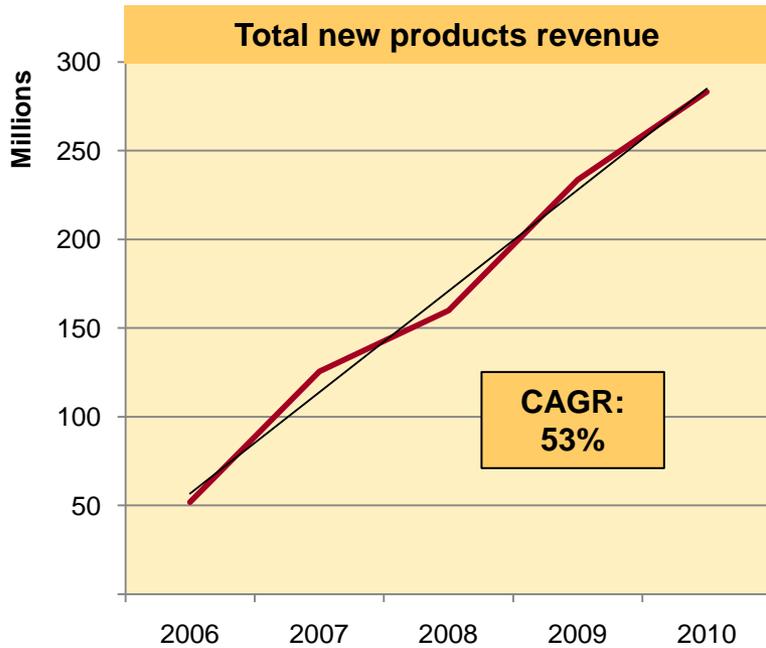
A focused approach aimed at building a global scale, high margin business in a number of core crops

- **The successful acquisition and integration of elite germplasm and breeding assets**
 - Herbicide tolerance, disease resistance, feed value improvement traits (Brown mid rib), food value improvement traits (food grade sorghum)
- **Selling elite hybrid products into more than 25 countries**
- **Currently earning average gross margins of 45-50% and forecast to generate strong organic EBIT growth**
- **Substantial opportunities for additional growth via targeted acquisitions**

2010 Full Year results



New¹ product revenues



Average Gross Margin %				
2006	2007	2008	2009	2010
35.4%	41%	44.7%	44.8%	39.9%

....and strong momentum to underpin future growth, with an average of more than 20 new product registrations in each of the next 4 years

¹Products launched by Nufarm within past five years

Sumitomo relationship



A mutual commitment to identify areas of commercial co-operation that will add value to both companies

- **Product distribution agreements that put Sumitomo chemistry across Nufarm distribution bases**
 - Brazil, Indonesia, UK and Germany now underway
 - More to follow: Canada, Eastern Europe
- **Product distribution agreements that put Nufarm chemistry across Sumitomo distribution bases in North Asia, Mexico; and potentially other markets**
- **Product development collaboration, with an initial focus on glyphosate resistance management programs**
- **Operational efficiency collaboration – toll manufacturing in Australia**

Outlook statement



- **Glyphosate segment expected to stabilise**
 - Pricing will remain very competitive
 - Various 'one-offs' in 2010 should not recur
 - Nufarm is now cost competitive and has retained strong market access
- **A return to more normal/average climatic conditions will result in increased demand and volume opportunities**
- **Increased demand would facilitate a more favourable pricing environment**
- **Strong expectations for an improved profit outcome in Brazil**
 - Combination of internal change; improvement in trading conditions
- **Continued introduction of new products and growth in higher value segments**



Confidence for improved profit outcome in 2011

Financing update



Financing update

- **Waiver agreement secured**
 - Funding commitments provided through to mid December
 - Lenders to be updated on progress against forecast earnings and cash flow projections
 - Updates also to be provided on strategic and management plans

- **Additional associated financing costs**
 - Estimated at up to \$10m (approximately \$8m in one-off waiver fees and adviser fees)

- **Discussions underway re transition to new long term financing structure**
 - Syndicated approach and other options being considered
 - Expressions of support from key lenders

Strategic Review



A comprehensive review of the business is underway ...

- 1 ... Revisiting/challenging strategic growth plan**
- 2 ... Reviewing business models**
- 3 ... Challenging revenue growth and margin assumptions for products and segments**
- 4 ... Ensuring we have a cost/capital base that reflects the earnings capacity of the business; and that we allocate that capital in the right areas**

Expert advisers retained to support process and ensure rigour and objectivity

Deloitte scope:

- To review budgeting and forecasting processes; financial reporting and management reporting systems
- Benchmark against best practice and recommend improvements
- To ensure forward looking forecasts are rigorous and encompass realistic assumptions



Phase 1 report to Board with observations and recommendations that will result in appropriate changes

Gresham scope:

- Focuses on business/strategy issues
- Ensures review process/structure is rigorous
- Challenges assumptions and analysis
- Will make independent recommendations on review outcomes



**Initial report to Board identifies key areas of focus for growth.
Work now continuing on detailed regional and segment plans.**

2010 Strategic review



Building a better company

2006 -
2008

Glyphosate 30-40%	Other herbicides 35-40%	Insecticides 3-8%	Fungicides 6-10%
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Approx gross margin contributions (% of total GM \$)

- Reporting & information systems
- Efficiency program
- Board renewal
- Management succession

- Product portfolio
- Development capabilities and focus
- Regional business models
- Organisational change

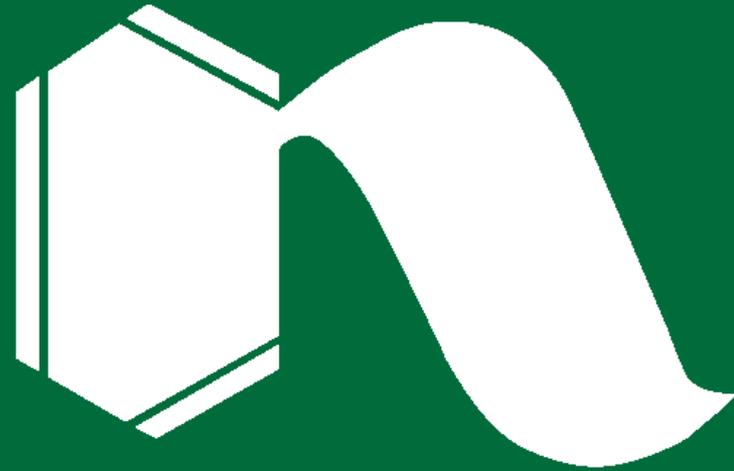
2011 -
2015

Glyphosate 14-18%	Other herbicides 35-45%	Insecticides 8-12%	Fungicides 10-15%	Seed treatment & seeds 5-10%
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Approx gross margin contributions (% of total GM \$)



A more balanced portfolio, with increased contributions from higher value products/segments



Nufarm