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Nufarm Limited
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ASX Release – Company Announcement

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Placement of AUD\$97.5m Preference Securities and trading update

Nufarm Limited (Nufarm) has undertaken the placement of \$97.5 million of preference securities (PS) to existing shareholder and strategic business partner, Sumitomo Chemical Company Limited (Sumitomo), through a wholly owned subsidiary (Nufarm Investment Pty Ltd).

The transaction strengthens Nufarm's balance sheet as a result of the issue of an equity instrument and builds on the longstanding relationship between Sumitomo and Nufarm.

Key terms of the security include:

- Securities may be exchanged for Nufarm shares at Sumitomo's election any time after 24 months at an exchange price of AUD\$5.85 per Nufarm share
- Nufarm may purchase the preference securities from Sumitomo at any quarter following issue of the securities for the full principal amount outstanding at that time and the amount of any unpaid distributions
- A quarterly distribution at a fixed rate of 6% is payable to Sumitomo for the first 12 months and 10% thereafter. In the event Nufarm Investment Pty Ltd does not pay the distribution on the PS Nufarm may not declare a dividend payment in respect of any of its ordinary shares or step-up securities until all undeclared distributions are declared and paid on the PS

Nufarm Managing Director and CEO, Greg Hunt, welcomed the new investment from Sumitomo Chemical.

"Sumitomo has been a long-term supporter and business partner and today's agreement is a strong endorsement of the strength of our relationship. The preferred securities are a valuable addition to our capital structure that reduce debt and strengthen our balance sheet".

Nufarm also advised that the Group's financial performance had been impacted by adverse seasonal weather conditions and supply related impacts. The company expects to report underlying earnings before interest, tax, depreciation and amortisation (EBITDA) of around \$420 million for the 2019 financial year, subject to finalisation of the accounts and audit. This compares to the previously advised range of \$440 million to \$470 million and consensus estimates of \$436m.

Mr Hunt said earnings had been impacted by unprecedented flooding in North America and continued dry conditions in Australia which delayed and reduced applications of crop protection products. Dry conditions toward the end of the year and a worsening in supply conditions for a range of products sourced from China also resulted in higher costs and lower than planned sales for the European business.

"It's been a difficult year, with external headwinds impacting performance in three of our four major markets. While the contribution from the European portfolios we acquired last year and growth in our Seed Technologies business will see us deliver underlying EBITDA growth on the prior year, we are disappointed the work we have done to mitigate the external challenges has not been enough to achieve the targets we set for the financial year.

"We have significantly reduced our Australian inventory levels but this has been offset by higher than planned working capital balances in North America and Europe. We expect to report net working capital of around \$1.6 billion for the year end. This presents no issue in relation to the ongoing availability of

our banking facilities and we expect our net debt to underlying EBITDA ratio to be around 3 times following receipt of the placement funds from Sumitomo.

“Our focus on deleveraging the balance sheet remains undiminished. The earnings outlook for FY20, reduced capital expenditure requirements and the plans and progress we have made in embedding systems and processes to improve our working capital efficiency provide the basis for our confidence that the balance sheet can support the organic growth of our business in the short to medium term”.

Nufarm expects to report approximately \$50 million of significant items (before tax) that will be excluded from underlying EBITDA in the 2019 financial year. Approximately \$20 million of this relates to unrecovered overheads as a result of production activity at our Laverton manufacturing plant in Victoria being materially below prior years and continued drought conditions ultimately resulting in the unprecedented temporary closure of all formulation lines at this plant. Additional costs of an estimated \$30 million relate to business restructuring costs and legal costs for the action brought in the US in relation to the Omega-3 canola patent estate.

Mr Hunt confirmed good progress has been made against business priorities that are expected to support earnings in FY20.

“In Europe, we have continued to see strong demand for products from the acquired portfolios. We accelerated transition of product registrations for the majority of these products and will have control of the supply chain in time for the autumn selling season. We are continuing discussions with suppliers of the active ingredient prochloraz and while we expect improved supply for the next financial year, we acknowledge the possibility of some continued constraints in supply.

“The performance improvement program in Australia is well advanced and we are on track to deliver the targeted cost reductions and efficiency gains.

“In North America we expect the strong support we have seen from our customer base to convert to good growth as they recover from the extreme weather conditions in FY19.

“We have seen strong demand for our products in Latin America as they prepare for their peak season. Continued demand momentum and favourable currency movements are expected to support earnings growth from this region in the coming year.

“Our Seed Technologies business has continued to see strong demand and we expect this to continue into FY20, with additional upside if weather conditions in Australia revert to more normal patterns. The first commercial sales of our proprietary omega-3 canola are on track for FY20, with the commercial crop already planted and due for harvest later this calendar year”.

Further details of Nufarm’s earnings performance and outlook will be provided on 30 September 2019 when Nufarm reports financial results for the year ended 31 July 2019.

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