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23 September, 2014

Preliminary announcement
Results for the year ended 31 July, 2014

Underlying profit growth and reduction in year-end working capital and net debt

Highlights

- **Group revenues: $2.62 billion, up by 15%**
- **Statutory net profit after tax of $37.7 million (2013: $81.0 million)**
- **Underlying EBIT(1)(2) of $200.6 million, up by 7%**
- **Underlying net profit after tax(3) of $86.4 million, up by 4%**
- **Earnings per share, excluding material items: 28.1 cents (2013: 26.4 cents)**
- **Strong net operating cash flow: $268.1 million**
- **Lower year-end working capital ($842m) and net debt ($513m)**
- **Full year dividend: 8 cents per share (2013: 8 cents per share)**

Year ended 31 July	2014 $000	2013 $000	Change
Revenue	2,622,704	2,277,292	15.2%
Gross profit	667,341	623,301	7.1%
Underlying EBITDA (1)	281,423	260,789	7.9%
Underlying EBIT (1)(2)	200,607	186,803	7.4%
Operating profit	149,846	183,626	-18.4%
Underlying net profit after tax(3)	86,411	83,223	3.8%
Net profit after tax	37,707	80,999	-53.4%
Net operating cash flow	268,097	62,787	327.0%
Net operating cash flow excluding material items	272,868	109,464	149.3%
Basic earnings per share - excluding material items (cents)	28.1	26.4	1.7
Basic earnings per share (cents)	9.6	25.5	(15.9)
Final dividend per share declared	5.0	5.0	-
Total dividend per share declared in respect of period (cents)	8.0	8.0	-

The financial information contained within our statutory accounts has been prepared in accordance with IFRS. Refer to footnotes, including explanations of the non-IFRS measures used in this announcement. All references to the prior period are to the year ended 31 July 2013 unless otherwise stated. This report is based on financial statements which have been audited by KPMG. Non-IFRS measures have not been subject to audit or review. Refer to the 31 July 2014 Nufarm Limited Financial Report for the independent auditor's report to the members of Nufarm Limited.

Nufarm Limited today announced a statutory profit after tax of $37.7 million for the 12 months to 31 July, 2014. This compares to a statutory profit after tax of $81.0 million in the previous financial year and included $48.7 million in one-off costs associated with the previously announced restructure and asset rationalisation of the Australian and New Zealand operations.

Group revenues increased by 15% to $2.62 billion (2013: $2.28 billion).

Underlying earnings before interest and tax (EBIT) was $200.6 million, up by just over 7% on the $186.8 million generated in the 2013 financial year.

Underlying net profit after tax was $86.4 million, up 4% on the previous year. This included foreign exchange losses of $12.6 million reported as part of net financing expenses.

Earnings per share were 9.6 cents (2013: 25.5 cents per share). Excluding material items, earnings per share were 28.1 cents (2013: 26.4 cents).

The group generated an underlying gross profit margin of 26.7%, which was down on the previous year (27.4%). Manufacturing volumes were down on the prior period due to both weather-related impacts on demand and changes to plant operations to support working capital efficiency targets. Excluding the impact of the lower volume through-put, the underlying gross profit margin was largely in line with the previous year.

Net working capital at 31 July was $842 million, compared to the $1.01 billion recorded at 31 July, 2013. Net debt at balance date fell by $120 million to $513 million (31 July, 2013: $633 million). Average net debt was $913 million, compared to $753 million in 2013.

Final Dividend

Directors declared an unfranked final dividend of 5 cents per share, resulting in a full year dividend of 8 cents. A full year dividend of 8 cents per share (fully franked) was paid in the previous year.

The final dividend will be paid on 14 November, 2014 to the holders of all fully paid shares in the company as at the close of business on 17 October, 2014. The final dividend will be 100% conduit foreign income. Given the impact of carry forward tax losses, it is unlikely the company will be in a position to frank dividend payments in the foreseeable future.

The Dividend Reinvestment Plan (DRP) will be made available to shareholders for the final dividend.

Directors have determined that the Issue Price will be calculated on the volume weighted average of the company's ordinary shares on the ASX over a period of 10 consecutive trading days commencing after the record date and concluding prior to the date of allotment of ordinary shares under the plan. The last election date for shareholders who are not yet participants in the DRP is 20 October, 2014. The Board has determined that, for this dividend payment, a 1% discount will apply to shares issued under the DRP.

Business review

A continuation of dry conditions in Australia and an unusually short spring season in the United States resulted in lower demand and considerable margin pressure in both markets. These negative impacts were more than offset, however, by another strong performance from the South American business; an increased profit contribution from the seeds business; and lower corporate costs.

The range of seasonal impacts experienced in the 2014 financial year again underlined the importance of a geographically diverse business and Nufarm's expansion into the seeds segment.

Nufarm's crop protection business grew sales by 16% to $2.48 billion and underlying EBIT by 4% to $202.1 million. Crop protection sales accounted for just over 94% of group revenues and generated an average gross margin of 26%, which was in line with the previous year.

The seed technologies segment generated revenues of $144 million, an increase of 10% on the previous year ($132 million) and grew underlying EBIT by 15% to $37.2 million. The segment generated an average gross margin of 51%.

Corporate (head office) costs were $38.6 million, down 5% on 2013. Total expenses were up on the previous year, but represented a slightly lower ratio to sales than in the prior period.

A key focus during financial year 2014 was the implementation of a number of programs to improve working capital efficiencies. A significant reduction in year-end working capital and net debt reflected good progress on this front.

Material items

In March and April of this year, the company announced a re-organisation of its Australian business and the rationalisation of the manufacturing footprint in Australia and New Zealand. These changes, which will be implemented over the next two years, resulted in a one-off after tax cost of $48.7 million. Upon full implementation of the changes, total cost savings are estimated to be approximately $16 million.

Important progress has been achieved since the re-organisation was announced, involving annualised savings of $6 million and relating to the rationalisation of back office positions. The balance of total cost savings will be achieved as several manufacturing plants are closed over the next two years. For financial year 2015, estimated annualised savings will be $5 million, with further savings of $5 million expected to be achieved in financial year 2016.

Year ended 31 July 2014	Pre-tax $000	After-tax $000
Material items by category		
ANZ asset rationalisation and restructure	(50,761)	(48,704)
Total material items	**(50,761)**	**(48,704)**

Interest / tax / cash flow

Net external interest costs[3] were $64.3 million (2013: $50.5 million). Higher levels of average net debt and higher bank base rates in Brazil were partially offset by reduced credit margins negotiated as part of the renewal of the syndicated bank facility.

Total net financing costs increased from $70.7 million in the prior year to $88.0 million. This included the impact of foreign exchange losses that totalled $12.6 million (prior year $10.7 million), with almost half of those losses relating to the devaluation of currencies in Argentina and Ukraine.

The underlying effective tax rate was 23.2%. The lower than normal tax rate was driven by a number of individually immaterial one-off credits, mostly relating to tax credits in Brazil. It is expected that the future underlying effective tax rate will be approximately 30%.

The business generated strong net operating cash inflows of $268.1 million, well up on the $62.8 million generated in the prior period.

Operating segments summary

The following table provides a summary of the performance of the operating segments for the 2014 financial year and the prior corresponding period.

Year ended 31 July	Revenue			Underlying EBIT		
($000s)	2014	2013	Change %	2014	2013	Change %
Crop protection						
Australia and New Zealand	605,761	604,432	0.2%	33,903	35,352	-4.1%
Asia	140,885	125,201	12.5%	19,481	19,580	-0.5%
Europe	555,521	468,253	18.6%	56,420	57,245	-1.4%
North America	513,596	516,278	-0.5%	20,638	42,153	-51.0%
South America	662,512	431,440	53.6%	71,622	40,595	76.4%
Total Crop protection	*2,478,275*	*2,145,604*	*15.5%*	*202,064*	*194,925*	*3.7%*
Seed Technologies - global	144,429	131,688	9.7%	37,160	32,449	14.5%
Corporate	-	-	n/a	(38,617)	(40,571)	-4.8%
Nufarm Group	**2,622,704**	**2,277,292**	**15.2%**	**200,607**	**186,803**	**7.4%**

Australia / New Zealand

The Australian and New Zealand business generated sales of $605.8 million, which was in line with the previous year ($604.4 million). Underlying EBIT was $33.9 million, slightly down on the $35.4 million generated in the prior period.

Australian sales were down year on year, reflecting lower demand due to a continuation of dry conditions throughout much of the country. Summer cropping conditions featured unusually low insect and weed pressure, and fungal disease for a second consecutive year, and fallow herbicide applications were well below normal. The challenging conditions led to pressure on both pricing and margins.

With good rainfalls in many cropping regions, market conditions improved considerably in the final quarter of the reporting period, providing an opportunity for channel stocks to normalise, lifting sentiment, and giving the Australian business a much more positive platform to start the new financial year.

A re-organisation of the Australian business was announced during the year. Changes to the manufacturing base – to be implemented over a two year period -will reduce fixed costs and improve utilisation of production facilities. A stronger focus on product development and customer service is also expected to contribute to improved business performance over the medium term.

Domestic sales in New Zealand were in line with the previous year but generated a slight improvement in margin contribution. A record year for the dairy industry, and strengthening returns in the sheep and beef sectors, as well as key horticultural crops, underpinned local demand.

Asia

Asian crop protection sales were $140.9 million, an increase of approximately 13% on the previous year ($125.2 million). Underlying EBIT was largely unchanged at $19.5 million (2013: $19.6 million), with additional investments being made in new product development and an expansion into new markets segments, as well as regional markets such as Vietnam and Korea.

The Indonesian business recorded just over 25% sales growth in local currency, driven by new product launches and increased sales in the important rice and vegetable segments.

North America

North American crop protection sales were down on the previous year at $513.6 million (2013: $516.3 million). In local currency, Nufarm's US sales were down by 10%. Segment EBIT fell sharply to $20.6 million, compared to $42.2 million in the prior period.

An unusually cold and long winter in the US negatively impacted both the cropping and non-crop markets, with fewer applications and higher inventories generating strong price competition. Sales into the burn-down (pre-plant) segment were well below average due to the shorter planting window for growers.

Lower volume demand and more efficient inventory management resulted in reduced production and lower overhead recoveries at Nufarm's major herbicide manufacturing facility in Chicago.

Seasonal conditions prevented Nufarm from capitalising on a stronger and broader product position in the turf and specialty segment, having completed a distribution arrangement for Valent's portfolio of products in January of this year.

Nufarm performed strongly in the US industrial and vegetative management (IVM) segment, with both sales and EBIT contribution ahead of the previous year.

Seasonal conditions in Canada were generally average. Nufarm made good progress in implementing its differentiated strategy and launched a number of new products that received strong support from the market. Both sales and margin were up on the prior period.

South America

The South American business performed strongly, with regional sales up by 54% to $662.5 million (2013: $431.4 million) and underlying EBIT up by 76% to $71.6 million (2013: $40.6 million).

In general, weather and cropping conditions in the region were average. Some parts of central Brazil experienced drier than normal weather which limited fungicide applications, but favoured the use of insecticides. Extremely cold conditions in Chile negatively impacted the important local fruit and vegetable segments.

Nufarm's sales in Brazil were up on the previous year by more than 60% in local currency and helped the business gain market share. Sales growth was driven by Nufarm's differentiated 'Crucial' glyphosate formulation as well as the successful introduction of a number of new products. A different product mix, that included significantly higher sales of older insecticide products, resulted in a slight fall in the average Brazilian gross margin. However, good cost control and the benefits of scale resulted in EBITDA margin expansion.

In Argentina, the business performed strongly with growth in the quickly developing herbicide segment for control of glyphosate resistant weeds. Local currency sales grew by more than 70%.

Further investments were made in strengthening the regional organisation, with an additional 15 sales representatives added in Brazil and a number of senior commercial appointments in Argentina. A new commercial manager was also appointed to support Nufarm's expansion into Peru and a new distribution arrangement was finalised for the Uruguay market.

Europe

European sales were up by 19% to $555.5 million (2013: $468.3 million). Underlying EBIT was in line with the previous year ($56.4 million v $57.2 million). In local currency, Nufarm's branded sales were ahead of the prior year, while revenues generated from operations (third party and industrial sales) were down. Total gross margin was up on the previous year when measured in Euros, reflecting a higher proportion of branded sales.

Most western European markets experienced favourable weather conditions which helped drive an increase in cereal plantings and positive demand for crop protection inputs. Eastern Europe was affected by colder weather patterns and dry conditions.

Nufarm experienced solid growth in markets such as Spain, Germany and Romania, with new product introductions contributing to a slight improvement in average margins across the region.

A focus on working capital efficiencies resulted in changes at the European manufacturing units, with better forecasting and supply chain management allowing lower levels of safety stock and a resulting reduction in volume through-put. Consequently, overhead recoveries in these facilities were well down on the previous year. The contribution from the European manufacturing sites was approximately €2 million lower this year compared to the prior year.

Major product segments

Crop Protection

Nufarm's crop protection business accounted for 94% of group revenues and grew sales by 16% to $2.48 billion. These sales generated an average gross margin of 26%.

Herbicide sales were $1.67 billion, an increase of 13% on the previous year, and represented 67% of total crop protection revenues (2013: 69%). Increased sales in both South America and Europe more than offset weather-related demand weakness in Australia and North America. Glyphosate margins were slightly up compared to the 2013 year, mainly driven by a strong performance from Nufarm's 'Crucial' glyphosate formulation in Brazil.

Nufarm's insecticide portfolio generated strong sales growth ($290.5 million, up 37% on FY13). Strong pest infestations in Brazil's major crops generated very high demand for insecticide applications. Nufarm's chlorpyrifos and imidacloprid based products were well positioned to take advantage of these conditions.

While total fungicide sales were up year on year ($247 million versus $219 million), both Australia and Brazil experienced low fungal disease pressure and increased competition for sales. The European business had a strong year in the fungicides segment, with increased sales of azoxystrobin based products.

Sales of plant growth regulators (PGRs) were up by 11% on the prior period and generated stronger margins. Record sales of PGRs into both cereal crops and the trees, nuts, vegetables and vines (TNVV) segment in Europe drove the strong performance in this product group.

The business also benefitted from a stronger portfolio of biorational products.

Seed Technologies

The company's seed technologies business grew revenues by 10% to $144.4 million and underlying EBIT by 15% to $37.2 million. This was despite a relatively challenging year in terms of seasonal conditions for several core crops and the seed treatment business.

The segment generated an average gross margin of 51% (2013: 55%). A change in supply and selling arrangements relating to Nuseed's servicing of the China confectionary sunflower segment resulted in a reduced percentage margin as the company moved away from a royalty based model. The new arrangements lower risk as Nuseed consolidates its position as a leader in this important segment.

Significant market share gains were achieved in the Australian canola segment, with Nuseed's Roundup Ready hybrid varieties performing very strongly. While the North American sunflower business was also positive, adverse weather and poor market conditions negatively impacted US seed treatment sales. Expansion into Uruguay helped drive sales growth in South America despite a poor production environment in Argentina and a reduction in local canola plantings. European sales were lower than expected, with instability in the Ukraine region a contributing factor.

The seeds business made important progress in advancing its pipeline of new products including moving omega 3 canola into field trials; the prelaunch of a new China sunflower disease trait; prelaunch of a new confection sunflower category and a step change in molecular research capability, with the opening of two innovation centres in Victoria and California.

Seed treatment sales increased by 4% but this was below expectations, given weather related impacts and a delay in a key European product registration. A large number of development projects were progressed and access to several new products was negotiated with third parties which will lead to a broader portfolio offering in this high value segment.

Balance Sheet Management

Net debt at year end was $513 million, a material improvement on the $633 million recorded at the end of the previous financial year. The reduction in net debt at balance date was driven by a focus on working capital targets delivering strong second half cash flow. Average net debt was $913 million, compared to $753 million in 2013.

Net working capital at 31 July was down by $169 million to $842 million. This was achieved via a more disciplined approach to the management of working capital, supported by a range of initiatives implemented across the business. The major driver of the reduction in working capital was more efficient inventory management, with year-end inventories finishing at $633 million, compared to $803 million at 31 July, 2013.

Average net working capital was $1.25 billion, compared to $1.07 billion in the prior period. As a proportion of sales, average net working capital was slightly up on the previous year (47.7% v 46.8%), reflecting the high starting point and large levels of working capital in the first half. Management has targeted an average net working capital to sales ratio of 40% within the next two years.

Gearing (net debt to net debt plus equity) was 24.2% (2013: 27.6%).

Outlook

With a return to more normal seasonal conditions in Australia and the USA, the company is strongly positioned to generate growth at an underlying EBIT level in 2015.

Spring and summer rains in Northern NSW and Queensland are needed to generate demand for crop protection products in Australia and to establish an important first half platform for the business. The restructuring program will be further progressed in 2015, with associated cost savings helping to drive earnings recovery.

Nufarm

Given the USA experiences more normal weather patterns – particularly in the spring period from March to May – Nufarm's business will be able to capitalize on a stronger product portfolio and generate a significant recovery in earnings.

The branded business in Europe is expected to generate further growth, however lower overhead recoveries will result in a reduced contribution from manufacturing operations and an overall flat earnings outcome for the European segment.

The South American business will benefit from new product introductions and – given normal seasonal conditions and no significant further deterioration in crop prices – should post high single digit growth in 2015.

Earnings growth is also anticipated in the seed technologies segment, with a number of new varieties to be launched across our core crops. Some $7 million is forecast to be spent on progressing the Omega-3 canola project and this will be capitalised.

The balance sheet will remain a key focus for management, with net working capital to sales expected to decline over the year.

Longer term growth will be driven by a strong pipeline of new product launches; a transition to higher margin products; and additional operational efficiencies.

D.J. Rathbone.

D J Rathbone AM
Managing Director

IFRS and Non-IFRS financial information

Nufarm results are reported under International Financial Reporting Standards (IFRS) including Underlying EBIT and Underlying EBITDA which are used to measure segment performance. This release also includes certain non-IFRS measures including Underlying net profit after tax and Gross profit margin. These measures are used internally by management to assess the performance of our business, make decisions on the allocation of our resources and assess operational management. Non-IFRS measures have not been subject to audit or review.

The following notes explain the terms used throughout this profit release:

(1) Underlying EBIT is earnings before net finance costs, taxation and material items. Underlying EBITDA is Underlying EBIT before depreciation and amortisation of $80.816 million for the year ended 31 July 2014 and $73.986 million for the year ended 31 July 2013. We believe that Underlying EBIT and Underlying EBITDA provide useful information, but should not be considered as an indication of, or an alternative to, Profit / (loss) for the period as an indicator of operating performance or as an alternative to cash flow as a measure of liquidity.

(2) Underlying EBIT is used to reflect the underlying performance of Nufarm's operations. Underlying EBIT is reconciled to Operating profit below.

Year ended 31 July	2014 $000	2013 $000
Underlying EBIT	200,607	186,803
Material items impacting operating profit	(50,761)	(3,177)
Operating profit	149,846	183,626

(3) Non-IFRS measures are defined as follows:

- Underlying net profit after tax – comprises Profit / (loss) for the period attributable to the equity holders of Nufarm Limited less material items.
- Average gross margin – defined as average gross profit as a percentage of revenue.
- Average gross profit – defined as revenue less a standardized estimate of production costs excluding material items and non-product specific rebates and other pricing adjustments.
- Net external interest expense – comprises Interest income – external, Interest expense – external and Lease expense – finance charges as described in note 10 to the 31 July 2014 Nufarm Limited financial report.