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25 March 2015

Report to shareholders

Results for the six months ended 31 January, 2015

First half profit growth and continued progress on working capital

Cost reduction and performance improvement program supports medium term 16% ROFE[3] target

Main points

- **Group revenues: $1.18 billion, up 4%**
- **Statutory profit after tax of $23.1 million, up 23%**
- **Underlying[3] net profit after tax (NPAT) of $26.5 million, up 41%**
- **Underlying[2] Earnings before Interest and Tax (EBIT) of $63.4 million, up 12%**
- **Earnings growth in all major crop protection regions**
- **Seed technologies down at half but growth expected for full year**
- **Average net working capital to sales ratio at 43.9% (2014 1H: 49.4%)**
- **Interim dividend: 4 cents per share, unfranked (2014 interim: 3 cents)**

Six months ended 31 January	2015 $000	2014 $000	Change %
Revenue	1,183,730	1,138,211	4.0%
Gross profit	316,548	305,777	3.5%
Underlying EBITDA [1]	102,442	97,227	5.4%
Underlying EBIT [1][2]	63,426	56,726	11.8%
Operating profit	58,887	56,726	3.8%
Underlying net profit after tax[3]	26,472	18,801	40.8%
Net profit after tax	23,152	18,801	23.1%
Net operating cash flow	(213,112)	(296,059)	28.0%
Basic earnings per share - excluding material items (cents)	7.7	4.7	63.0%
Basic earnings per share (cents)	6.4	4.7	36.4%
Total dividend per share declared in respect of period (cents)	4.0	3.0	33.3%

The financial information contained within our interim financial report has been prepared in accordance with IFRS. Refer to the footnotes, including explanations of the non-IFRS measures used in this announcement. All references to the prior period are to the six months ended 31 January 2014 unless otherwise stated. This report is based on financial statements which have been reviewed by KPMG. Non-IFRS measures have not been subject to audit or review. Refer to the 31 January 2015 Nufarm Limited Interim Financial Report for the independent review report to the members of Nufarm Limited.

Nufarm Limited today released its financial results for the 6 months to 31 January, 2015 and reported a 12% increase in underlying earnings before interest and tax (EBIT) of $63.4 million and a 41% increase in underlying net profit after tax (NPAT) of $26.5 million.

Group revenues were $1.18 billion, an increase of 4% on first half revenues in the previous year ($1.14 billion).

The statutory net profit after tax (NPAT) was $23.1 million, up 23% on the $18.8 million reported for the first six months of the previous financial year. This includes a net impact of $3.3 million associated with restructuring and asset rationalisation costs incurred in the first half period.

Earnings per share (excluding material items) were 7.7 cents, compared to 4.7 cents in the first half of 2014.

Business conditions were challenging in some of the company's major markets, particularly in Australia and in Brazil. Despite this, the company achieved earnings growth in all major crop protection regions. A combination of later than normal sales and a lower margin sales mix resulted in the seed technologies segment generating revenues and an average gross margin below that of the corresponding period last year.

Net debt at 31 January was $890 million, down from $1.02 billion at the same time in the previous year. Net working capital at period end was also lower at $1.17 billion (31 January 2014: $1.33 billion) and the average net working capital to sales ratio at 31 January was 43.9% compared to 49.4% last year.

Interim Dividend

Directors declared an unfranked interim dividend of 4 cents per share (2014 interim dividend: 3 cents).

The interim dividend will be paid on 8 May, 2015 to the holders of all fully paid shares in the company as at the close of business on 10 April, 2015. The interim dividend will be 100% conduit foreign income.

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

Directors have determined that the Issue Price will be calculated on the volume weighted average price 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 13 April, 2015. The Board has determined that, for this dividend payment, no discount will apply to shares issued under the DRP. Shares issued under the DRP will rank equally in all respects with existing ordinary shares.

Interest / tax / cash flow

Net external interest expense was $30 million, which was in line with the previous period. While average net debt was lower than in the first half of 2014, this benefit was offset by higher interest rates in Brazil and increased financing costs in Argentina.

At 31 January, the company booked a net foreign exchange gain, mainly relating to financing activities, of $7.9 million, driven primarily by a strengthening US dollar. This compared to a net foreign exchange loss of $3.5 million at 31 January 2014. In the period since 31 January, we have seen considerable currency volatility and, in the month of February, have incurred a foreign exchange loss of approximately $5 million, the majority of which resulted from exposures that are uneconomic to hedge in emerging markets.

Total financing costs in the first six months of 2015 were $25.6 million, well below the $40.8 million recorded for the same period of the prior year.

The company's effective tax rate in the first half was 30.8%, which is in line with the expectation for the full year. This compares to a tax benefit of 18.4% in the first half of 2014, which was impacted by a number of one-off tax credits.

The business recorded a net operating cash outflow of $213 million in the first six months of the year. This compares to a cash outflow of $296 million in the previous period. The improvement in operating cash flow was driven by lower average net working capital. While the second half is expected to see continued progress towards our 2016 target of 40% average net working capital to sales, growth in the business may result in the actual net working capital number at 31 July being higher than at the same time last year. Consequently, operating cash flow will not be as strong as in the prior year.

Business review

The first half period encompasses the key selling season in South America and the summer cropping season in Australia. The larger cereal growing season in Australia and key seasons and demand periods in Nufarm's major northern hemisphere markets occur in the second half of the financial year.

South America's largest market, Brazil, experienced a dry start to the season but average climatic conditions for most of the period. Lower crop prices have contributed to a fall in the total value of crop protection sales in Brazil. The Australian business was again impacted by hot and dry seasonal conditions in the major summer cropping regions of Queensland and northern NSW. However, rainfalls in December and January generated strong demand over the last six weeks of the reporting period.

Gross profit was 26.7% of sales, broadly in line with the first half of the previous year (26.9%). Net expenses were down, as a proportion of sales (21.8% v 22.4%), as were corporate (head office) costs.

Operating segments summary

The following table provides a summary of the performance of the operating segments for the first half of 2015 and the corresponding period of the previous year.

6 months ended 31 January						
		Revenue			Underlying EBIT	
($000s)	2015	2014	Change %	2015	2014	Change %
Crop protection						
Australia and New Zealand	238,278	248,983	-4.3%	11,221	8,951	25.4%
Asia	83,009	71,225	16.5%	8,558	9,253	-7.5%
Europe	169,412	170,420	-0.6%	3,203	1,496	114.1%
North America	227,911	180,696	26.1%	518	(6,853)	n/a
South America	422,238	412,834	2.3%	65,031	60,032	8.3%
Total Crop protection	*1,140,848*	*1,084,158*	*5.2%*	*88,531*	*72,879*	*21.5%*
Seed Technologies - global	42,882	54,053	-20.7%	(5,235)	3,287	n/a
Corporate	-	-	n/a	(19,870)	(19,440)	-2.2%
Nufarm Group	**1,183,730**	**1,138,211**	**4.0%**	**63,426**	**56,726**	**11.8%**

Australia / New Zealand

The Australian and New Zealand businesses generated $238 million in segment sales, down slightly on the $249 million recorded in the first half of 2014. This represented 21% of total crop protection revenues in the first half period. Underlying EBIT was $11.2 million compared to $8.9 million in the prior period.

Climatic conditions in Australia were again challenging for most of the period, with a dry end to winter and a dry spring season. Some late rains – particularly in the Eastern states – generated strong demand in January and some positive momentum heading into the second half of the year.

While sales were down on the first six months of the prior year, some improvement in margin contributed to a stronger EBIT result in Australia.

Nufarm's 'Weedmaster' glyphosate brand performed strongly and the company continues to hold the leading share in this segment.

In New Zealand, climatic conditions were mixed, with good rains supporting sales activity in the spring pasture and cropping segments, but a dry end to the period, particularly in the South Island. The important dairy market remains challenged due to lower global demand.

New Zealand sales and EBIT were slightly down on the first half of the prior year.

In March of 2014, the company announced a re-organisation of its Australian and New Zealand manufacturing footprint. This involves the closure of manufacturing facilities in Auckland (New Zealand) and in Lytton (Queensland) and Welshpool (Western Australia). Capacity is being relocated to two other existing facilities in Laverton (Victoria) and a facility in Kwinana (Western Australia).

The program is on schedule, with all changes to be fully implemented by June of 2016, with forecast annualised savings of $16 million expected to be realised from the 2017 financial year. The rationalisation of the regional manufacturing footprint will permanently lower the company's cost base; will improve utilisation and overhead recoveries at the retained facilities and will increase Nufarm's competitiveness.

Asia

Asian crop protection sales were $83 million compared to $71 million in the first half of the previous year. Asia accounted for 7% of total crop protection revenues in the period. Underlying EBIT was $8.6 million, slightly down on the first half of 2014 ($9.3 million).

Seasonal conditions across most of Nufarm's markets in Asia were average. Newly established offices in Vietnam and South Korea helped generate increased business in those markets.

North America

North American crop protection sales increased by 26% to $228 million (20% of total crop protection sales) and regional EBIT was $0.5 million, compared to a loss of $6.9 million in the first half of 2014. On a local currency basis, US sales were up by 28% on the previous period, with local currency sales in Canada down on the prior year.

Much of the USA experienced another severe winter, and drought conditions persisted in the Western states.

Nufarm received good support for new products launched in the cropping and industrial vegetative management (IVM) segments and undertook a successful early order and marketing program for its turf and ornamental portfolio. This portfolio is benefitting from the addition of the Valent (Sumitomo) range of products which are now being sold by Nufarm.

In Canada, Nufarm has introduced differentiated burndown products for the canola, soybean and cereals markets and is building its presence in the glyphosate resistance segment.

South America

South American crop protection sales were up slightly on the first half of the previous year ($422 million v $413 million) and represented 37% of total first half crop protection revenues. Underlying EBIT was up by just over 8% to $65.0 million (2014 1H: $60.0 million).

In local currency, sales in Brazil were in line with the prior period. Dry conditions in the central areas of Brazil contributed to a late start to the season and growers delayed purchases of inputs while assessing the impact of lower soft commodity prices. Climatic conditions improved after cropping activity commenced, particularly in the south of the country, which received good rains.

Pest and disease pressure was lower than normal, reducing the opportunity for fungicide and insecticide sales.

Margins in Brazil improved strongly, driven by a better product mix and strong demand for a number of Nufarm's differentiated offerings that were able to command premium pricing.

Sales in Argentina were up strongly on the prior period, with the business benefitting from generally favourable seasonal conditions and a stronger product portfolio. However, very high interest rates and currency volatility added to the risk and cost of doing business.

Europe

European sales were in line with the prior period ($169 million v $170 million) and accounted for 15% of crop protection sales for the group. Regional EBIT improved to $3.2 million, ahead of the $1.5 million posted in the first half of 2014.

Nufarm's branded sales in Europe were up by more than 11% on the prior period, with favourable autumn conditions generating positive demand for crop protection inputs. Technical sales – which generate a lower margin – were down compared to the first half of 2014.

The company successfully launched a number of new products across regional markets, with the collaboration with Sumitomo Chemical Company generating several of those product introductions.

On a local currency basis, European markets generating strongest sales growth included France, Romania, Hungary and Portugal.

Sales in Nufarm's developing markets of Africa and the Middle East (reported as part of the European region) increased strongly, with additional resources invested in building the business in these areas.

On 5 February, 2015, the company announced a rationalisation of its European manufacturing footprint involving the proposed closure of a synthesis facility in The Netherlands and increased production activity at sites in England and France. The changes are estimated to result in annualised savings of €16 million ($23 million) when fully implemented by June 2016 (see ***Subsequent Events***).

Major product segments

Crop Protection

Crop protection sales increased by 5% on the first half of 2014 ($1.14 billion v $1.08 billion) and represented 96% of total group revenues. All regions reported an improvement in crop protection margins.

Herbicide sales were up 7% to $761 million. The higher sales were driven by a combination of stronger overall demand for weed control applications in some markets, and the successful launch and growth of Nufarm herbicide offerings. There was an improvement in the gross margins achieved on glyphosate sales, with differentiated formulations in Brazil ('Crucial') and Australia ('Weedmaster DST') receiving strong support. Phenoxy herbicide sales were up on the prior period, but margins came under pressure in the Americas due to weaker market conditions, higher than normal inventories and increased competition. Dicamba sales were up strongly, driven by additional usage in pre-sowing burndown applications to control glyphosate resistant weeds.

Insecticide sales were down slightly on the prior period ($163 million v $171 million). Generally dry conditions and low insect pressure in key markets reduced demand for insecticide applications.

Fungicide sales were $106 million, up on the $100 million recorded in the first half of 2014. The fungicide portfolio performed strongly in the period, with relatively low disease pressure in Brazil and Australia offset by a positive autumn season in Europe and North America and the continued roll-out of new fungicide products.

Sales of biorational products; plant growth regulators; adjuvants; machinery and industrial products were $109 million (2014 1H: $102 million). The company continues to strengthen its position in the expanding biorational and plant growth regulator segments, with additional product launches helping to grow sales.

Seed Technologies

The company's seed technologies segment includes sales of seeds, managed under our Nuseed business, and seed treatment chemistry. Segment sales were down in the first half compared to the previous year ($43 million v $54 million) and the segment generated a loss of $5.2 million at the underlying EBIT level, compared to a positive contribution of $3.3 million in the corresponding period last year.

With higher value sales in the period down on the prior year, the segment generated an average gross margin of 41% versus 49% in the first half of 2014. A higher value product mix in the second half is expected to result in a stronger average gross margin by year end.

The business faced some challenging conditions in the first half in a number of its higher value markets. Dry conditions in Australia limited summer sorghum and sunflower plantings; increased competitive activity in the China sunflower market impacted on sales and margins; and US based seed treatment sales were down on the prior half year period.

Changing dynamics in the China confectionary sunflower market are resulting in a deterioration in both sales and value potential for Nuseed and the company is re-evaluating its focus on, and investment in, that market. With confectionary markets in North America and Europe continuing to develop positively, the company still sees substantial opportunities for growth in this high value segment.

There was an increased investment in research and development in the seeds business, with excellent progress on the continued development of new hybrid varieties and other pipeline projects.

The first field trials associated with the company's DHA omega-3 canola project were completed and produced encouraging data. Follow-up field trials are now underway.

A combination of adverse weather and increased competition resulted in lower than expected sales of seed treatment applications in the first half. A number of new alliances were finalised that will provide access to additional chemistry for seed treatment products, with these new products expected to generate higher sales over the coming years.

Balance Sheet

Net debt at the end of the first half was $890 million, some $130 million lower than at January 31, 2014 ($1.02 billion). Despite growth in the business and an adverse currency impact, average net debt for the first half was $793 million compared to $908 million in the first half of 2014.

Average net working capital for the half was $160 million lower than for the same period last year. Average net working capital to sales was 43.9%, also well down on the 49.4% at the end of January last year. Management is targeting average net working capital to sales to be at or below 40% by 31 July 2016 (31 July 2014: 47.7%).

All major crop protection regions reported an improvement in average net working capital to sales. Across the group, receivables were up slightly on the prior period; inventories were down; and payables were higher.

Gearing (net debt to net debt plus equity) was 34.8% (2014 1H: 38.3%).

Subsequent events

Managing director

On 4 February 2015, the company announced that Managing Director and Chief Executive Officer Doug Rathbone had stepped down and that the Group Executive for Commercial Operations, Greg Hunt, had been appointed Chief Operating Officer and Acting Chief Executive Officer.

The company has retained the services of Mr Rathbone as a consultant to the company for 12 months from 23 March 2015. Mr Rathbone will consult exclusively to Nufarm on a number of specific commercial activities and his remuneration will be commensurate with the work undertaken on these projects.

European manufacturing restructure

On 5 February 2015, the company announced a rationalisation of its manufacturing operations in Europe, involving the planned closure of a synthesis facility in Botlek (The Netherlands) and increased activity at plants in Wyke (England) and Gaillon (France). The changes will be implemented over a period of approximately 18 months and, when complete, are estimated to result in annualised savings of €16 million.

Associated with these changes, the company will incur one-off restructuring costs of up to €30 million, the majority of which will be booked in the second half of the current financial year.

Some €15 million are non-cash costs. There will be incremental capital expenditure of €9 million associated with the changes to existing facilities.

Performance improvement program

On 5 February, 2015, the company announced that it is pursuing a $100 million cost reduction and continuous improvement program. The program is expected to result in a net benefit (measured at an EBIT level) of $100 million and an increase in Return on Funds Employed (ROFE) to 16% in the medium term.

The projected savings associated with the European manufacturing restructure (€16 million or approximately $23 million) are included in this target. Additional initiatives are currently being implemented or evaluated in areas including procurement; supply chain; logistics; product development; and potential savings associated with selling, general and administrative (SG&A) expenses.

Outlook

Nufarm's sales and earnings remain heavily weighted to the second six months of the financial year, with the major cropping seasons in Australia, North America and Europe occurring in that period. The majority of sales relating to the seed technologies segment also take place in the second half.

Australian climatic conditions in the February-March period have been generally more favourable than at the same time in the previous year. Western Australia, however, is still relatively dry and good rains will be needed ahead of the crop planting period to drive sales demand in that region. With some improvement in demand, the business is expected to generate a stronger second half result than in 2014.

A more normal spring season in the USA will be a key driver of earnings recovery in our North American business. With a stronger product portfolio in the crop and non-crop (turf and ornamental) segments, the business is well positioned to capitalize on more positive seasonal conditions, should they occur. Channel stocks, however, are higher than normal and this may weigh on demand as the season gets underway.

The second six months represents the smaller sales season in Brazil. It is estimated that safrinha (second season) corn plantings are down by up to 10% on the previous year, which – together with relatively low insect and disease pressure - will reduce crop protection requirements.

Given normal seasonal conditions, the European business is expected to have a slightly stronger second half than in the previous year.

A re-phasing of some sales from first half to second half will result in the seed technologies segment generating a stronger performance in the period, with this segment expected to again post EBIT growth on a full year basis. The second half is expected to see continued positive progress on the canola omega-3 program with the objective of moving into a regulatory approval process by calendar year end.

Management will remain strongly focused on working capital efficiency initiatives; on continued progress associated with the restructuring programs in Australia and Europe; and on securing further cost savings and efficiencies throughout the business.

Given relatively normal seasonal conditions in our key geographic markets, the company remains confident of generating improved profitability over the prior year.

Greg Hunt
Acting Chief Executive Officer

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 $39.016 million for the six months ended 31 January 2015 and $40.501 million for the six months ended 31 January 2014. 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:

Six months ended 31 January	2015 $000	2014 $000
Underlying EBIT	63,426	56,726
Material items impacting operating profit	(4,539)	-
Operating profit	58,887	56,726

(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 17 to the 31 January 2015 Nufarm Limited interim financial report.
- ROFE – defined as underlying EBIT divided by the average of opening and closing funds employed (total equity plus net debt).
- Net debt – total debt less cash and cash equivalents.
- Average net debt – net debt measured at each month end as an average.
- Net working capital – current trade and other receivables and inventories less current trade and other payables.
- Average net working capital – net working capital measured at each month end as an average.