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

23 September, 2015

Preliminary announcement
Results for the year ended 31 July, 2015

Strong underlying profit growth and positive progress on working capital and cost savings targets

Highlights

- **Group revenues: $2.74 billion, up by 4%**
- **Statutory net profit after tax of $43.2 million (2014: $37.7 million)**
- **Underlying EBIT[(1)(2)] of $236.9 million, up by 18%**
- **Underlying net profit after tax[(3)] of $117.1 million, up by 35%**
- **Statutory earnings per share: 11.7 cents (2014: 9.6 cents)**
- **Earnings per share, excluding material items: 39.6 cents (2014: 28.1 cents)**
- **Net operating cash flow: $228.5 million**
- **Average net working capital to sales: 41.9% (2014: 47.7%)**
- **Full year dividend: 10 cents per share (2014: 8 cents per share)**

Year ended 31 July	2015 $000	2014 $000	Change
Revenue	2,737,163	2,622,704	4.4%
Gross profit	716,873	667,341	7.4%
Underlying EBITDA [(1)]	317,090	281,423	12.7%
Underlying EBIT [(1)(2)]	236,882	200,607	18.1%
Operating profit	150,218	149,846	0.2%
Underlying net profit after tax[(3)]	117,059	86,411	35.5%
Net profit after tax	43,220	37,707	14.6%
Net operating cash flow	228,510	268,097	-14.8%
Net operating cash flow excluding material items	248,409	272,868	-9.0%
Basic earnings per share - excluding material items (cents)	39.6	28.1	11.5
Basic earnings per share (cents)	11.7	9.6	2.1
Final dividend per share declared	6.0	5.0	1.0
Total dividend per share declared in respect of period (cents)	10.0	8.0	2.0

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 2014 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 2015 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 $43.2 million for the 12 months to 31 July, 2015. This included $73.8 million in one-off costs associated with restructuring initiatives and asset rationalisation and compares to a statutory profit after tax of $37.7 million in the previous financial year.

Group revenues increased by 4% to $2.74 billion (2014: $2.62 billion), while underlying earnings before interest and tax (EBIT) increased by 18% to $236.9 million (2014: $200.6 million).

Underlying net profit after tax was $117.1 million, up 35% on the $86.4 million reported in the previous year.

Earnings per share were 11.7 cents (2014: 9.6 cents per share). Excluding material items, earnings per share were 39.6 cents (2014: 28.1 cents).

Despite challenging market conditions in a number of regions, the group generated a higher gross profit margin of 28.0%, which was a material improvement on the prior year (26.7%) and reflected a strong focus on higher margin products; on cost savings and restructuring initiatives; and on disciplined selling policies.

Average net working capital to sales was 41.9%, a significant reduction on the prior 12 month period (47.7%) and represented very positive progress towards the company's target of 40% by the end of financial year 2016.

Average net debt was $865 million, down on the $913 million average debt in 2014. Net debt at balance date was slightly up on the prior year ($547 million versus $513 million), but on a constant currency basis fell by 18% to $420 million.

Final Dividend

Directors declared an unfranked final dividend of 6 cents per share, resulting in a full year dividend of 10 cents. This represents a 25% increase on the full year dividend of 8 cents per share (partially franked) paid in the previous year.

The final dividend will be paid on 13 November, 2015 to the holders of all fully paid shares in the company as at the close of business on 16 October, 2015. The final dividend will be 100% conduit foreign income.

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 19 October, 2015.

Material items

The company has initiated a restructuring program aimed at lowering the fixed cost base and permanently improving the performance of the business. As part of that program, under-utilised assets are being rationalised. This program resulted in one-off, after tax costs of $73.8 million in the 2015 financial year. On a pre tax basis, the cash component of material items will be $43 million, with the balance of $44 million relating to non-cash items.

The majority of these costs related to the European manufacturing footprint rationalisation which involves the closure of the production facility in Botlek (The Netherlands). Other costs related to the rationalisation of underperforming assets and product intangibles, and various redundancy and consulting costs.

Year ended 31 July 2015	Pre-tax $000	After-tax $000
Material items by category		
Asset rationalisation and restructure	(86,664)	(73,839)
Total material items	**(86,664)**	**(73,839)**

Interest / tax / cash flow

While average net debt was lower than in the prior year, higher base rates in Brazil and increased interest costs in Argentina resulted in net external interest costs[3] of $67.7 million compared to $64.3 million in the 2014 year.

Total net financing costs were $75.2 million, compared to $88.0 million in the prior year. Foreign exchange losses were $0.3 million, well down on the $12.6 million loss recorded in the 2014 year.

The underlying effective tax rate was 27.7%. This compared to 23.5% in the prior year, which included a number of one-off tax impacts.

The business generated strong net operating cash inflows of $228.5 million.

Business review

Market conditions varied, but were generally weaker due to the fall in crop prices and lower demand in a number of crop protection segments, in particular insecticides. Despite this, the company achieved margin growth in all of its major regional crop protection businesses.

Earnings recovery in the Australian and US businesses, and strong results in Brazil and Europe, more than off-set a weaker performance in the seed technologies segment.

Together with growth in the crop protection business, near term benefits associated with the company's cost-savings and performance improvement program helped contribute to higher underlying earnings. It is estimated that the 2015 results include cost savings and other efficiency benefits of $15 million at an EBIT level.

Nufarm's crop protection business grew sales by 4% to $2.58 billion and underlying EBIT by 24% to $250.9 million. Crop protection sales accounted for just over 94% of group revenues and generated an average gross margin of 28%, which is a significant improvement on the previous year.

The seed technologies segment generated revenues of $159.6 million, an increase of 10% on the previous year ($144.4 million) but encountered more challenging market conditions and posted a 14% decline in underlying EBIT of $31.8 million. With market conditions driving a lower value product mix, the segment generated an average gross margin of 44%, which was well down on the 51% achieved in 2014 and below margin expectations for future periods.

Corporate (head office) costs were $45.9 million, up on the $37.2 million in the prior year, a driver being higher bonus/incentive payment accruals that reflected the stronger financial performance of the business.

The company's continued focus on working capital efficiencies helped drive a significant improvement in the net working capital to sales ratio and contributed to a reduction in average net debt over the 12 month period.

Operating segments summary

The following table provides a summary of the performance of the operating segments for the 2015 financial year and the prior corresponding period.

Year ended 31 July		Revenue			Underlying EBIT	
($000s)	2015	2014	Change %	2015	2014	Change %
Crop protection						
Australia and New Zealand	582,391	605,761	-3.9%	52,745	33,903	55.6%
Asia	155,233	140,885	10.2%	18,134	19,481	-6.9%
Europe	544,775	555,521	-1.9%	64,426	56,420	14.2%
North America	588,650	513,596	14.6%	38,921	20,638	88.6%
South America	706,533	662,512	6.6%	76,684	71,622	7.1%
Total Crop protection	*2,577,582*	*2,478,275*	*4.0%*	*250,910*	*202,064*	*24.2%*
Seed Technologies - global	159,581	144,429	10.5%	31,829	37,160	-14.3%
Corporate	-	-	n/a	(45,857)	(38,617)	18.7%
Nufarm Group	**2,737,163**	**2,622,704**	**4.4%**	**236,882**	**200,607**	**18.1%**

Australia / New Zealand

The Australian and New Zealand businesses generated sales of $582.4 million, down 4% on the previous year ($605.8 million). Underlying EBIT, however, was up by 56% to $52.7 million.

Australia experienced another relatively dry summer and autumn, which negatively impacted on demand. While Australian sales were slightly down on the prior year, a focus on higher margin products; more disciplined selling policies; and a lower cost base resulted in an improved operating profit.

The previously announced closure of three manufacturing facilities in Australia and New Zealand is continuing on schedule, with capacity now being relocated into other facilities. The full benefit of these changes will be realised in the 2017 financial year, with lower fixed costs; better plant utilisation; and improved efficiencies.

New Zealand sales were also down on the prior year, due to adverse seasonal conditions and a depressed dairy sector. However, some successful new product launches and strong sales into the horticultural segment helped the business generate a higher profit contribution.

Asia

Asian crop protection sales increased by 10% to $155.2 million. Underlying EBIT was $18.1 million, down on the $19.8 million generated in the prior year.

In local currency, sales were up slightly in the company's major regional markets of Indonesia and Malaysia. Additional field staff and increased product development helped support a continued diversification of both the product portfolio and the crop segments into which products are sold. These investments are forecast to drive local earnings growth over coming years.

North America

North American crop protection sales grew by 15% in Australian dollars ($588.7 million) and underlying EBIT recovered strongly, up by 89% to $38.9 million.

US sales were up by 5% in local currency with improved marketing and a re-phasing of sales campaigns generating increased demand in both the crop segment and the turf and specialty segment. Despite softer commodity prices impacting all broad-acre crop segments, Nufarm saw strong growth in newer products that address the increasing challenges associated with resistant weeds.

More favourable spring conditions, and a successful early order program, also allowed the company to leverage its broader portfolio in turf, nursery and greenhouse markets, with the business benefitting from a number of new product launches.

Local currency sales in Canada were down 11% on the prior year, with very dry conditions impacting cropping activity in the Western provinces. The company launched new products in a number of segments and continues to strengthen its position with differentiated offerings.

South America

While local market conditions were more challenging in South America and the value of the total crop protection market contracted (measured in US dollars), the company posted another strong year with 7% revenue growth ($706.5 million) and a similar increase in underlying EBIT ($76.7 million).

Lower crop prices impacted overall demand for inputs in Brazil. Despite this, the company's sales were up by 8% in local currency and generated a higher average margin than in the prior year. The excellent result was driven by a focus on newer and higher margin products, along with expanded reach into a number of market segments. Higher beef prices supported additional crop protection investment in the pasture market – where Nufarm has a strong position – and the business capitalised on stronger demand for fungicides in some regions. The insecticide segment was well down on the previous year.

Revenue growth was also achieved in Argentina, Chile and Colombia, and the company secured a number of new product registrations in Uruguay.

Europe

European sales were slightly down in Australian dollars (2015: $544.8 million v 2014: $555.5 million) but underlying EBIT grew by 17% to $64.4 million. Seasonal conditions were mixed, with unusually hot and dry weather in Central and Southern Europe impacting demand for some products in the last quarter.

Nufarm's branded sales grew when measured in Euros, with France, Spain, Portugal, Romania and Hungary performing strongly. The company also generated strong growth in its expansion markets in the Middle East and Africa.

New product introductions in the cereal herbicides and cereal fungicides segments helped drive margin expansion.

The restructuring of the European manufacturing base is proceeding on schedule. The Botlek manufacturing facility in The Netherlands is being closed, with capacity relocated to the Wyke facility in Northern England. Production capacity is also being increased in the Gaillon facility (France). These changes will permanently reduce the company's fixed cost base; improve working capital management; and support the continued growth of the European business.

Major product segments

Crop Protection

Nufarm's crop protection business generated $2.58 billion in revenues, representing a 4% increase on the prior year. These sales generated an average gross margin of 28%, significantly stronger than the 26% average gross margin recorded in financial year 2014.

Nufarm

Herbicide sales were $1.75 billion, an increase of almost 5% on the previous year. These sales generated an improved average gross margin. Phenoxy herbicide revenues and margins were up, driven by stronger sales in North America and a more profitable product mix in Australia and Europe. Careful management of inventories and a focus on higher margin formulations resulted in a significant improvement in margin generated from glyphosate sales. Dicamba and flumioxazin sales were also up on the prior year.

Group insecticide sales were slightly down on the prior year ($282 million versus $290 million), while margins were steady. Lower insect pressure and high channel inventories in South America resulted in reduced demand for these products, while North American sales increased, in particular in the turf and specialty segment.

Fungicide sales were up by 11% to $274 million and margins improved on the prior year. All regions other than Australia/New Zealand generated higher fungicide revenues. Increased disease pressure together with the approval and launch of new products drove a significant increase in azoxystrobin sales, while a number of other products also contributed to the stronger performance in this segment.

Sales of plant growth regulators (PGRs) and biorational products were also up, reflecting a consistent pattern of relatively high margin growth in recent years. New product introductions and distribution arrangements with Valent BioSciences, a subsidiary of Sumitomo Chemical Company, helped drive growth across these portfolios.

The company continued to strengthen its strategic relationship with Sumitomo Chemical Company and this was reflected in significantly higher sales of Sumitomo products across Nufarm's distribution platforms, particularly in the US, Canada and Brazil, as well as the execution of a new distribution agreement in the UK.

Seed Technologies

Revenues reported in the seed technologies segment grew by 10% to $159.6 million, but underlying EBIT fell by 14% to $31.8 million.

Lower canola seed sales in Australia was the major contributor to the fall in earnings, with the area planted to canola estimated to be down by some 20% on the previous year, and an increase in the use of farmer retained seed.

Nuseed continued to expand its market presence in Europe with increased sunflower sales, but this was not sufficient to completely offset the impact of the deterioration in the confectionary sunflower segment in China.

While sorghum sales were relatively strong, a lower commodity price impacted margins.

Seed treatment growth was impacted by both adverse seasonal conditions and lower crop prices. A number of important new seed treatment registrations were approved during the latter part of the year, however, and these new products will generate strong future growth in this high value segment. This included the registration in France of a new imidacloprid formulation on winter cereals (Nuprid 600 FS).

The company's omega-3 canola program continued to advance through field trials and is now in the pre-registration phase of development. Several significant patents relating to this program were published and/or granted during the year, contributing to a very strong intellectual property position.

Balance Sheet Management

Net debt at year end was $547 million versus $513 million in the prior year. Currency translation was a negative impact on the net debt figure, with the lower Australian dollar resulting in increased interest costs associated with the company's US dollar denominated high yield bond. On a constant currency basis the year end net debt fell by 18% to $420 million.

Average net debt was lower than in the previous year ($865 million versus $913 million).

Management continued to focus on driving further efficiencies in working capital management, with average net working capital to sales down to 41.9% (2014: 47.7%). The company's objective is to bring this ratio down to 40% by the end of the 2016 financial year.

The improved working capital outcome was achieved despite the need to build safety stock to ensure product supply while manufacturing plant closures take place in Australia, New Zealand and Europe. The major driver of the improved position was in relation to payables, with the company negotiating more favourable terms with several key suppliers and implementing supplier financing programs.

Gearing (net debt to net debt plus equity) was 25% (2014: 24.2%).

Cost savings and performance improvement program

In February, the company announced a cost savings and performance improvement program aimed at delivering a net benefit of $100 million in underlying EBIT by the end of the 2018 financial year. The benefit target is in addition to earlier announced gains associated with a restructuring of the Australian and New Zealand manufacturing platforms, which is expected to deliver $16 million in annualised savings by the 2017 financial year.

The performance improvement program covers a broad range of initiatives across all areas of the business. These include:

- The restructuring and rationalisation of the company's manufacturing footprint which will result in a lower fixed cost base and improved efficiencies;

- More effective procurement practices that will change the way in which key inputs are purchased; removing duplication and inefficiency and leveraging Nufarm's global scale;

- The establishment of a globally integrated supply chain which will deliver cost savings and helps support working capital objectives;

- Changes to management structure and the operating model to reduce general expenses and better serve the needs of an integrated global business; and

- A review of the company's product portfolio, with the objective of improving the strength and value of Nufarm's product positions, while removing those products that do not generate acceptable returns.

While the potential benefits of a number of projects continue to be validated, total estimated cost savings and efficiencies – on a gross basis – are well in excess of the targeted net benefit announced by the company. Any additional one-off costs associated with further restructuring changes will be reported within the period those initiatives are approved and the benefits have been validated.

To support sustainable business improvement and to secure benefits on an ongoing basis, some of these savings will be reinvested in new systems and capabilities. This has included the implementation of a new customer relationship management (CRM) system in both Brazil and Australia over the past 12 months, which has contributed directly to margin improvement in those businesses. This system will be implemented in other major markets progressively over the next two years. Investments will also be made to support improved performance in supply chain management, procurement, marketing capabilities and other areas.

While the majority of earnings benefits associated with the program will accrue in the 2017 and 2018 financial years, early successes have resulted in $15 million in benefit at an EBIT level in the 2015 result, with an additional benefit of at least $20 million forecast in 2016. This will include further savings associated with the manufacturing platform rationalisation; efficiency gains in retained production facilities; procurement savings; and a reduction in head office costs.

The company has also announced an objective to achieve a Return on Funds Employed (ROFE) of 16% by the 2018 financial year. In 2015, the company generated a ROFE of 11%, up on the 9.1% generated in the previous year.

Outlook

The combination of cost savings benefits; margin expansion and revenue growth in a number of the company's businesses is expected to result in another solid profit performance in 2016. This is despite an expectation that general market conditions will continue to be subdued.

Initiatives associated with the cost savings and performance improvement program are forecast to contribute an additional underlying EBIT benefit of at least $20 million in 2016. These will include savings relating to the rationalisation of the manufacturing footprint in both Australia and Europe and benefits resulting from other manufacturing efficiencies; improved procurement practices; and expense reductions in head office.

The company's performance in Australia is expected to continue to improve, with restructuring initiatives resulting in a lower and more flexible cost base and a continued focus on margin expansion.

The likely impacts of an El Niño weather pattern have been factored into the company's forecasts for 2016. This weather pattern typically results in drier than normal spring conditions in Eastern Australia; more reliable rainfall patterns in Western Australia; and higher rainfall in South America. Given Australia is cycling several years of relatively dry spring conditions, the additional impact on the Australian business is expected to be marginal. The impact in Brazil is likely to result in stronger demand for both insecticide and fungicide products.

Despite low soft commodity prices and tighter farm economics in the Americas, the company expects to generate growth in the US, where our business will benefit from new product introductions and stronger support from local distribution.

While the US dollar value of the Brazilian market may see further declines over the next year, the area planted to crops and the volume of crop protection inputs are expected to rise. Careful management of inventories; positive exposure to stronger market segments; and a strengthening product portfolio result in Nufarm's Brazilian business being well placed to achieve further market share gains in the 2016 financial year.

Solid growth is forecast in Europe, with the company well placed to expand its position across a number of European country markets.

The combination of important new seed treatment product launches; continued expansion of the European sunflower business and more favourable market conditions in the Australian canola segment should drive earnings growth in seed technologies over the next 12 months.

A strong focus will be maintained on balance sheet objectives, in particular working capital efficiencies, with the aim of reducing average net working capital to sales below 40% by July 2016.

Beyond the current 2016 financial year, additional benefits resulting from the ongoing performance improvement program, along with profitable growth opportunities across products, crop segments and geographies, place the company in a strong position to deliver sustainable earnings growth and improved shareholder returns over the medium to long term.

G A Hunt
Managing Director & CEO

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 $80.208 million for the year ended 31 July 2015 and $80.816 million for the year ended 31 July 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.

Year ended 31 July	2015 $000	2014 $000
Underlying EBIT	236,882	200,607
Material items impacting operating profit	(86,664)	(50,761)
Operating profit	150,218	149,846

(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 2015 Nufarm Limited 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.