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Report to Shareholders
Results for the half year ended 31 January, 2017

Nufarm delivers strong revenue, EBIT and net profit growth in first half

- **Group revenues: $1.36 billion, up by 15%**
- **Underlying EBIT(1)(2) of $85.0 million, up by 19%**
- **Underlying net profit after tax(3) of $19.8 million, up 67%**
- **Reported net profit after tax of $20.0 million (2016 1H: $91.0 million loss). There were no significant material items in the first half result**
- **Improvement in underlying gross profit margin(3) at 29.1% (2016: 1H 28.2%)**
- **Performance improvement program on track to deliver $116 million benefit by FY18**
- **Average net working capital to sales: 37.1% (2016 1H: 41.6%)**
- **Interim dividend: 5 cents per share (2016 interim: 4 cents per share)**

Six months ended 31 January	2017 $000	2016 $000	Change %
Revenue	1,360,070	1,187,605	15%
Underlying gross profit (3)	395,297	335,200	18%
Underlying EBITDA (1)	128,696	112,292	15%
Underlying EBIT (1)(2)	85,000	71,229	19%
Operating profit	85,264	(34,828)	n/a
Underlying net profit after tax (3)	19,771	11,868	67%
Net profit after tax	20,035	(91,004)	n/a
Net operating cash flow	(149,046)	(247,373)	40%
Underlying net operating cash flow	(187,630)	(208,507)	10%
Basic earnings per share - excluding material items (cents)	5.2	2.3	124%
Basic earnings per share (cents)	5.3	(36.4)	n/a
Total dividend per share declared in respect of period (cents)	5.0	4.0	25%

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 January 2016 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 January 2017 Nufarm Limited Financial Report for the independent auditor's report to the members of Nufarm Limited.

Nufarm Limited today announced that underlying earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 15% to $128.7 million and underlying earnings before interest and tax (EBIT) increased by 19% to $85.0 million for the six months to January 31, 2017. Group revenues increased by 15% to $1.36 billion (2016 1H: $1.19 billion).

Reported net profit after tax was $20.0 million, with no significant material items in the first half. This compares to a statutory loss after tax of $91.0 million in the first half of the previous year, which included one-off restructuring costs of $102.9 million.

Underlying net profit after tax was $19.8 million, up 67% on the $11.9 million reported in the prior period.

Earnings per share (excluding material items) were 5.2 cents (2016 1H: 2.3 cents).

The group generated a higher underlying gross profit margin of 29.1%, compared to 28.2% for the first half of the prior year.

Average net working capital to sales was 37.1%, a significant reduction on the prior period (41.6%).

Net debt at 31 January 2017 was $856 million, down on the $927 million at 31 January 2016. Net debt benefitted from the proceeds from non-core asset sales, with the net cash inflow from material items being $39 million in the first half.

These half year results reflect strong growth and continued positive progress in relation to the group's performance improvement program.

Interim Dividend

Directors declared an unfranked interim dividend of 5 cents per share (2016 interim dividend: 4 cents).

The interim dividend will be paid on 5 May, 2017 to the holders of all fully paid shares in the company as at the close of business on 7 April, 2017. 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 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 10 April, 2017.

Interest / tax / cash flow

Net external interest expense was $46.3 million, which is $6.3 million higher than the previous period. The higher interest expense was primarily driven by Brazil. The net interest expense for the full year is expected to be in line with the guidance provided at the 2016 full year result i.e. net interest will be moderately lower than full year 2016. Encouragingly, Brazilian bank base rates are falling, which will reduce the cost of financing the Brazil business in the future.

Total net financing costs were $52.5 million, compared to $57.1 million in the prior year. Foreign exchange losses were $6.2 million, compared to $17.1 million recorded in the 2016 first half. The exchange loss mainly relates to the Latin American operations, and is consistent with the company's previous estimate of $1 million to $1.5 million of hedging costs per month.

The underlying effective tax rate was 38.4% for the period, reflecting the mix of profits in the first half. This compares to 16.4% in the prior period. The company expects the full year effective tax rate to be close to 31%. The first half income tax expense includes a $2.5 million expense, due to a reduction in the French statutory tax rate (effective in 2019), and its subsequent effect on the deferred tax assets on the French entity's balance sheet.

The business recorded an underlying net operating cash outflow of $187 million in the first six months of the year. This compares to a cash outflow of $208 million in the previous period. The lower cash outflow was attributable to good working capital management and the cash component of the material items. The material items were a net inflow of $39 million, including $49 million from the proceeds of non-core asset sales. The cash outflow at the half is caused by the seasonality of the business, which sees an increase in receivables in Latin America and an inventory build for the second half key cropping periods in the northern hemisphere and Australia.

Operating segments summary

The group generated increased sales in both major business segments, and across all regions other than Europe.

Total crop protection sales increased by 14% to $1.31 billion and generated a similar increase in EBIT to $110.1 million. Seed technology sales in the period were up by 21% to $50.6 million and generated a small loss of $0.2 million, which was a significant improvement on the $4.4 million loss recorded in this segment in the first half of 2016.

Underlying gross profit margin was 29.1% of sales, ahead of the first half of the previous year of 28.2%. Underlying selling, general and administrative expenses were up slightly as a percentage of sales (23.1% v 22.9%).

The following table provides a summary of the performance of the operating segments for the first half of the 2017 financial year and the prior corresponding period.

6 months ended 31 January	Revenue			Underlying EBIT		
($000s)	2017	2016	Change %	2017	2016	Change %
Crop protection						
Australia and New Zealand	306,255	231,591	32%	13,255	14,565	-9%
Asia	94,299	71,608	32%	14,514	9,393	55%
Europe	150,881	176,747	-15%	8,830	7,135	24%
North America	291,108	251,004	16%	17,699	7,433	138%
Latin America	466,921	414,977	13%	55,840	57,747	-3%
Total Crop protection	*1,309,464*	*1,145,927*	*14%*	*110,138*	*96,273*	*14%*
Seed Technologies - global	50,606	41,678	21%	(194)	(4,354)	96%
Corporate	-	-	n/a	(24,944)	(20,690)	21%
Nufarm Group	**1,360,070**	**1,187,605**	**15%**	**85,000**	**71,229**	**19%**

Australia / New Zealand

Australia/New Zealand sales increased substantially on the prior year, as the business executed a strategy to regain volume and share. There was a resulting impact on gross margins, particularly in Australia, where the business competed more aggressively to meet this objective.

The segment generated sales of $306.3 million, up 32% on the previous year ($231.6 million). Underlying EBIT was $13.3 million compared to $14.6 million in the prior period.

Climatic conditions in Australia contributed to a strong finish to the 2016 winter cropping season, resulting in excellent grain harvests for most growers. The summer season started well in the key cropping zones of northern NSW and southern Queensland, but then turned hot and dry in December and January. The west received good rainfall over summer, providing an optimistic outlook for the coming winter season.

The previously announced closure of three manufacturing facilities in Australia and New Zealand is now complete. Two sites have been sold, whilst the remaining site is on the market. The full benefit of these changes will be realised by the end of the current financial year, with lower fixed costs; better plant utilisation; and improved efficiencies. The recovery in sales volumes will help secure the full benefits of the restructuring program.

Asia

Asian crop protection sales were $94.3 million compared to $71.6 million in the first half of the prior year, an increase of nearly 32%. Underlying EBIT improved to an even greater extent to $14.5 million, up 54% on the $9.4 million generated in the prior year.

Indonesian sales were well up on last year, driven by good weather and an early start to the planting season. Last year, Indonesian sales were severely impacted by the El Nino weather event. The early planting season moved sales into the first half of this financial year as compared to the second half of last financial year. There were also continued good sales into Japan, China and Korea. The higher sales, combined with an increased focus on higher margin products, led to the improved EBIT result over the prior period.

North America

North American crop protection sales grew by 16% to $291.1 million. Underlying EBIT was up strongly to $17.7 million, compared to $7.4 million in the prior first half period.

A number of new products were successfully launched during the period, helping to drive stronger margins and strengthening Nufarm's position with its channel partners. The implementation of Salesforce.com - a customer relationship tool - was completed in February, and is resulting in better business processes, and better communication both within the organisation and with distribution customers.

The Calgary plant in Canada was closed last June, with production moving to the Chicago Heights facility. The full benefit of these manufacturing efficiencies are being realised in the 2017 financial year.

Latin America

Despite the tough market conditions in Latin America, Nufarm increased market share while maintaining a strong focus on risk management.

Latin American crop protection sales were up 13% on the first half of the previous year ($467 million v $415 million). Underlying EBIT at $55.8 million was down 3% on the prior period's $57.7 million.

The total value of the Brazil crop protection market is estimated to have been flat in calendar year 2016 (as measured in US dollars) compared to calendar year 2015. Nufarm's local currency sales were up by 9%, and we increased share over the 2016 calendar year. The business continues to enhance the portfolio with several new products launched in the first half. Channel inventory for Nufarm products is at normal levels.

In contrast to last year, the average Brazilian Real exchange rate for the first half period was nearly 10% stronger against the Australian dollar and nearly 14% stronger against the US dollar. The stronger Brazilian Real was also far less volatile compared to the 2016 first half. This resulted in a greater proportion of sales being invoiced in US dollars, and allowed the business to manage the foreign currency exposures better, resulting in a currency loss lower than the prior period and within the guidance provided at the 2016 full year results.

A feature of the Brazilian market during the period was the continued challenges faced by the customer base in obtaining credit. Whilst the business managed credit well, and growers are experiencing record harvests, the company remains vigilant on customer receivables.

The strong Real did however; result in farmers delaying their purchases of crop protection inputs in anticipation of price reductions, and this led to some pricing pressure in the market. New investments to support product launches and bring increased expertise to the treasury function resulted in a higher cost base in Brazil. Despite this, Brazil grew earnings in Australian dollars.

The Argentina business suffered from a delayed season, due to excessive rainfall. This caused growers to delay purchases and created pricing pressure in the market. The Argentina result was also impacted by the exchange rate, with the Argentina peso 60% weaker against the Australian dollar compared to the first half last year. These impacts resulted in Argentina earnings being 50% lower than the prior period in Australian dollars.

Europe

European sales were below the prior period by 15% (2017 1H: $150.9 million v 2016 1H: $176.7 million), but only down 3% on a constant currency basis. Underlying EBIT improved to $8.8 million, ahead of the $7.1 million posted in the first half of 2016. Seasonal conditions were mixed, but generally unfavourable across North West Europe.

Nufarm's branded sales were impacted by weaker demand driven by the unfavourable seasonal conditions, and some phasing impact, as growers delayed orders in the current low soft commodity price environment. Despite the lower sales, new product launches and a higher margin product mix contributed to the improved profitability of the business.

The restructuring of the European manufacturing base is nearly complete, with manufacturing efficiency programs continuing at the Linz (Austria) and Gaillon (France) production facilities. A more efficient European manufacturing base is strengthening Nufarm's competitive position and lowering the working capital requirements of the business.

Major product segments

Crop Protection

Nufarm's crop protection business generated $1.31 billion in revenues, which was up 14% on the previous year sales of $1.15 billion. These sales generated an average underlying gross profit margin of 28.5%, stronger than the 28.1% average gross profit margin recorded in the half year 2016.

Herbicide sales were up 15% to $871 million. Glyphosate sales are well up on last year, due to a higher average technical price, and improved volumes in Australia/New Zealand and North America. Margin percentage is slightly down, due to competitive market conditions in Australia and North America. Phenoxy herbicide revenues are in line with last year, but margins were up, driven by an improved cost position. Other herbicides are well ahead of last year, with Flumioxazin and Picloram being the main drivers.

Group insecticide sales were up 25% to $191 million, and margin percentage is up approximately 1%. The increased sales were driven mainly by Brazil, with growth from new products, extensions into new crops and strong sales of a Sumitomo-sourced product that controls the white fly insect.

Fungicide sales were up by 5% to $123 million, with margins ahead of the prior year. The fungicide portfolio performed well in the period, with most regions contributing to the growth. Main contributors to the result include Mancozeb, Fludioxinil and the copper-based products.

The 'other products' category sales were up 2% to $123 million. The growth was mainly driven by the Croplands equipment business, based in Australia. Aided by a record grain harvest in Australia and increased demand from growers, Croplands was able to increase sales by 20% compared to the first half last year.

Seed Technologies

The company's seed technologies segment includes sales of seeds, managed under our Nuseed business, and seed treatment chemistry. Revenues in this segment were $50.6 million, 21% ahead of the prior period sales of $41.7 million. The segment generated a loss of $0.2 million at the underlying EBIT level, compared to a $4.4 million loss in the prior first half.

A combination of higher sales volumes and improved gross margin percentage delivered a much improved result in the first half. All regions performed well, with Australia making a good contribution due to higher collections of canola end-point royalties from the strong 2016 farmer saved seed harvest. Europe saw growth in its sunflower business, and the Brazilian business achieved significant growth in sorghum and canola products.

The company's omega-3 canola program achieved numerous milestones in the half, with the key achievement being the lodgement of the Australian registration package on 10 February (see separate company announcement released today). Regulatory filings are also expected to be lodged in the USA and Canada before the end of this month.

This unique canola will provide long-chain omega-3 oils, similar to those found in fish oil, using a sustainable land-based source. It has been developed through collaboration between Nufarm's wholly owned subsidiary, Nuseed; the Commonwealth Scientific and Industrial Research Organisation (CSIRO); and the Grains Research and Development Corporation (GRDC).

Pending regulatory approvals, commercialisation of the omega-3 oils is expected to commence in 2018 or 2019.

Balance Sheet Management

Net debt at 31 January 2017 was $856 million compared to $927 million at 31 January 2016. Net debt benefitted from the net cash inflow from material items of $39 million. Currency translation had a positive impact on the net debt figure ($22 million), with the higher Australian dollar resulting in reduced debt associated with the company's US dollar denominated high yield bond. On a constant currency basis, net debt at 31 January was $878 million.

Average net debt was lower than in the previous six month period ($805 million versus $857 million), aided by continued excellent working capital management.

Management continued to focus on driving further efficiencies in working capital management, with average net working capital to sales down to 37.1% (2016 1H: 41.6%).

Average net working capital over the last twelve months was $1.10 billion compared to $1.14 billion in the prior period. This reduction was achieved despite the sales growth recorded in the half. Inventories and payables were the main drivers of the reduction in the average net working capital.

Gearing (net debt to net debt plus equity) was 35.8% (2016 1H: 38.8%). The average leverage ratio (net debt divided by the 12 month rolling EBITDA) was 2.21x (2016 1H: 2.84x).

Cost savings and performance improvement program

The company continues to make good progress on its cost savings and performance improvement program, which aims to deliver a net benefit of $116 million in underlying EBIT by the end of the 2018 financial year.

The company has delivered cumulative benefits of $75 million to the end of financial year 2016. A further $20 million of benefits is expected to be delivered in the 2017 financial year. Most of the savings in the 2017 financial year will come from manufacturing footprint, manufacturing excellence and procurement initiatives.

To support sustainable business improvement on an ongoing basis, the company is reinvesting in new systems and capabilities such as new customer relationship management (CRM) systems; improved supply chain processes and systems; specialist procurement resources and systems; standard back-office processes and systems across regions; and human resource systems. These transformational investments will implement standard processes and systems across the group, providing a global view of information that enables a 'One Nufarm' approach to business decisions.

The company has an objective to achieve a Return on Funds Employed (ROFE) of 16% by the 2018 financial year. ROFE at 31 January 2017 was 13.2%, up from 10.7% in the prior comparative period, and up from 9.1% in the 2014 financial year, when the performance improvement program was initiated.

Outlook

The second half represents the major selling period for Nufarm in Australia, North America and Europe, as well as in the company's seed business.

While seasonal conditions have been mixed in Australia in recent months, it is expected that the business will secure increased volumes over the balance of the year and this will help deliver the full benefits of restructuring activities undertaken over the past three years. Given normal weather, the business is expected to generate a stronger second half result than in 2016.

Market conditions in North America remain very competitive, however Nufarm expects to build on its excellent first half performance and deliver a strong full year result.

Nufarm's business in Latin America will be impacted by the negative market conditions in Argentina and the expected later timing of sales in Brazil, which had an outstanding performance in the second half of 2016. Second half cash collections will be a major focus for the company, along with close management of customer credit and foreign currency exchange risk.

Demand in Europe is expected to strengthen in the second half of the year (given average weather conditions) and Nufarm is well placed to capitalize on those opportunities. The restructuring and performance improvement program is delivering efficiencies in the European operations and this will contribute to what management expects to be a slightly improved second half result than in the previous year.

The current outlook for the Australian canola season is optimistic, with good moisture in Western Australia and canola pricing attractive compared to wheat. Good rains are needed in March and April to support increased canola plantings and drive higher profitability of the seed business in the second half. The second half period will also see more positive progress on the canola omega-3 program, as we continue to move through the regulatory process and advance pre-commercialisation plans.

Management expects net interest expense for the full year to be moderately lower than the $96 million incurred in the 2016 financial year. The guidance for foreign exchange impact remains at the $1 million to $1.5 million per month of hedging cost for Latin America.

A strong focus will be maintained on balance sheet objectives, in particular working capital efficiencies. Management expects the average net working capital to sales percentage to be lower than in the previous year.

In summary, the business is expected to generate an improved EBIT on the prior year, driven by the combination of growing revenues, margin expansion and cost saving benefits.

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 $43.696 million for the half year ended 31 January 2017 and $41.063 million for the half year ended 31 January 2016. 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	2017	2016
	$000	$000
Underlying EBIT	85,000	71,229
Material items impacting operating profit	264	(106,057)
Operating profit	85,264	(34,828)

(3) Non-IFRS measures are defined as follows:
- Underlying gross profit – comprises gross profit less material items.
- 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 2017 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.