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NUF.AX - Interim 2016 Nufarm Ltd Earnings Call

EVENT DATE/TIME: MARCH 22, 2016 / 11:00PM GMT

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PRESENTATION

Operator

Ladies and gentlemen thanks for standing by. Welcome to the Nufarm interim results briefing. At this time all participants are in a listen-only mode. There will be a presentation followed by a question and answer session. (Operator instructions). Please also note this conference is being recorded today Wednesday March 23 2016. I would now like to hand the conference over to your host today, Mr Mark Keating. Thank you. Please go ahead.

Mark Keating - *Nufarm Australia - General Manager for Investor Relations*

Thank you David and good morning everybody. Welcome to the Nufarm interim results conference call. Just to explain again my name is Mark Keating, Nufarm's general manager for investor relations. Earlier this morning the company released its results via the ASX for the six months to January 31 2016. A copy of the presentation that we'll be using this morning was also released to the ASX and can be found on our corporate website.

For those of you wishing to follow the presentation via the webcast facility those details are also on our corporate website. Participating in this morning's call are Greg Hunt, Nufarm's Managing Director and CEO and Paul Binfield, Nufarm's Chief Financial Officer.

Just before we start the presentation I just want to draw your attention to the disclaimer on page 2 of the presentation. After the presentation we'll be happy to take questions. At that point I'll pass back to the operator to introduce the Q&A procedures. Now I'll hand over to Greg.

Greg Hunt - *Nufarm Australia - MD and CEO*

Thank you Mark. I add my welcome to everyone on the call this morning. I'm pleased to report what I believe are a solid set of results for the half year. The results for the period demonstrate the progress that we are making in our efforts to improve the underlying performance of the business. Our revenue is in line with last year, however when measured in constant currency, is up 4% on last year. We have underlying EBIT growth of 12%. Underlying NPAT was 55% lower than the prior period impacted by significant net foreign exchange losses.

We continue to make very good progress on net working capital management. We remain confident of achieving our target of average net working capital sales of 40% by July of this year. Our net debt position for the half was slightly up however in constant currency is in line with the first half of last year. Directors have declared an unfranked dividend of AUD.04 per share.

Further highlights of the result include good local currency EBIT growth across all of our crop protection business segments and a strong improvement in gross profit margin. This is a key indicator that we are seeing some of the impacts of the benefits and the changes that we are making in the business. Despite the tougher market conditions in Brazil and Argentina we have increased our market share whilst maintaining a strong focus on credit and risk management. Sales volumes in the seed technology segment were down slightly while overall margin was up slightly. This was largely due to lower sunflower and sorghum plantings in Australia offset by higher seed treatment and sorghum sales into the US.

Whilst we are experiencing tougher market conditions currently we remain confident in our strategy to develop our position in the seed segment as an important growth platform particularly as new technologies are commercialised.

Our performance improvement is on track to deliver the AUD116 million of net benefits that we have targeted by the end of full year 2018. We are making good progress in relation to our working capital, our margin expansion and our performance improvement initiatives.

We are also turning our attention to our growth strategy and the investments that we are making to support the continued growth in our business. I will provide some more detail on these activities later in today's presentation.

Before I hand over to Paul to run through the financials I'd like to make some comments about the awareness and cultural change that we are driving in the company in relation to safety. As a normal part of our business we manage significant safety risks. The safety of our people underpins our performance program. We did have a fatality in September last year at our manufacturing facility at Linz in Austria. We have taken this loss very seriously and believe that no one should lose their life at work.

Like most companies in our industry we are focused on a step change safety strategy. We now start every management and business review meeting with a discussion around safety and how to keep improving our performance. Our belief is that all accidents are preventable. We are encouraging a culture of reporting, learning from incidents and continuous safety improvement. We investigate all reported incidents and we track actions to ensure improvements are being implemented. We will continue to report on the progress and the improvements that we make in our drive to improve the safety culture within the company.

I'll now hand over to Paul to run through the key financials.

Paul Binfield - *Nufarm Australia - CFO*

Thank you Greg. This half year result is a clear reflection of the underlying strength of the business and the benefits of the changes we're making. It shows that we've been focused on three key things. Firstly improving the quality of earnings and driving out costs. You will see the gross profit margin is almost 1.5% higher this half over the prior corresponding period.

Secondly, delivering on our performance improvement objectives. This is clearly evident in the improved contributions from ANZ, from Europe and from the North American regions. Lastly our continuing focus on removing capital from the business and increasing shareholder returns. As Greg said average net working capital over sales is now below 41% and return on funds employed stand at almost 11%, up almost 2% on January last year.

Whilst reported revenues are flat on the prior year revenue growth was 4% in constant currency. Underlying EBIT has increased by more than 12% to AUD71.2 million at the half. Underlying EBITDA of AUD112.3 million is almost 10% higher compared with last year.

The reported net loss after tax of AUD91 million reflects the post-tax charge associated with material items of AUD103 million. Underlying net profit after tax for the period was about AUD12 million, almost AUD15 million less than the prior year with our interest costs but particularly the negative

AUD25 million swing in the impact of foreign exchange more than offsetting the higher underlying EBIT. I'll expand further on Nufarm's FX exposure a little later. The Board has declared an unfranked AUD.04 interim dividend in line with the prior year.

So just turning to the impact of FX. In the first half relative to the Aussie dollar the US dollar, the Pound, the Euro, all strengthened. With relatively low earnings for the Northern Hemisphere in the first half, the positive impact of this currency shift was muted. The currency movement in the half was -- the significant currency movement in the half was the weakening of the Brazilian Real which had a substantial impact on our reported Australian dollar earnings. Our Latin American businesses grew in local currency terms but when converted back to Aussie dollars the depreciating Latin American currencies stripped more than AUD13 million (sic - see press release, "AUD12 million")from our reported underlying EBIT for the period.

Nufarm entities around the globe have exposures relating to funding and trading balances such as debtors and payables denominated in currencies other than their respective reporting currency. We look to actively hedge the majority of such exposures but in a small number of situations we're limited where it's either impossible or uneconomic to undertake hedging activity.

Consequently we will always have some unhedged exposures. In the first half the next underlying FX loss was AUD17.1 million compared with AUD7.9 million (sic, see press release, "AUD7.9 million gain") in the prior period. As I already said this loss was driven largely by a volatile Brazilian Real. This volatility has continued into February. Even after the benefits of hedging we have incurred a further AUD5 million loss in foreign exchange again predominantly in Latin America.

In Brazil in the first half there's also been a significant structural shift in the crop protection market. In the past almost 50% of our sales whilst invoiced in Real has been pegged to the US dollar. This provides us with a natural hedge against US dollar liabilities associated with the product that we imported into Brazil. The absence of these USD receivables has meant that we had a large unhedged net US dollar liability which fluctuated daily.

Given the weakening trend of the Real and the volatility during this period we sought to be fully hedged. However this structural change in the markets resulted in a number of consequences. Firstly the significant FX losses due to larger unhedged exposures, increased costs of hedging and also higher interest costs because we made less use of cheaper USD funding in Brazil.

We continue to manage the risks of doing business in Latin America very closely and regularly review the measures we have in place to mitigate those risks. While the cost of doing business in Brazil has clearly increased in the last period it remains a strategically important market. It is the world's largest for crop protection sales. But we remain confident that we can achieve profitable growth there over the long term.

Turning to working capital. This has been a primary focus of ours for the last two to three years. We continue to make great progress towards our target of getting average net working capital to sales down to 40% by July of this year. Two years ago this ratio was close to 50%. Now at January it stands at 40.8%. We have removed almost AUD300 million of inefficient capital from the business over the last two years.

Average networking capital for the prior 12 month period was more than AUD50 million lower than the prior corresponding period. All components of net working capital moved in the right direction this period. All regions continue to be very focused on reducing net working capital. This persistent, systematic approach is delivering sustainable improvements. In the last six months we have started to invest in a project to strengthen and standardise the supply chain processes and procedures across the group.

This is a major project and represents the platform to take our net working capital lower still. Roll-out commences in the next few months. It will take a full two years to complete and for the benefits to be fully realised.

Turning to material items. Last month we announced the achievement of an important milestone in our performance improvement program with the completion of the results, the manufacturing footprint and the product portfolio reviews. This has resulted in taking a one-off pre-tax charge of AUD116 million which is largely non-cash in nature. We're seeking to optimise our portfolio such that it better meets the needs of our customers in select crops and key markets. We can expect to deliver stronger margins and enhance returns.

A result of this review is that the portfolio has been streamlined with a number of lower margin and non-strategic products being discontinued. This has resulted in a one-off charge of AUD80.9 million which is non-cash in nature. We do expect to derive annualised savings of up to AUD10 million from a focus on higher margin products, lower registration costs, packaging and warehousing costs.

As part of this review we have also reassessed the useful life of the remaining product related intangible assets and concluded that in light of asset specific factors and wider industry practice the useful life of product related intangible assets should be capped at 30 years. This will result in higher annual amortisation costs of between AUD13 million and AUD16 million effective from February 1 this year.

We continue to roll out the performance improvement program in the supply chain segments of the business. In the last six months we announced the planned closure of the plant in Calgary in Canada. In this time period closure plans for plants in Auckland, Brisbane and Rotterdam were also successfully completed. We're also seeking to improve the operations of our remaining plants and have been implementing manufacturing excellence programs at these sites. These manufacturing efficiency initiatives have resulted in a one-off charge of AUD26.4 million in this period. We will deliver important, sustainable efficiency gains over the long term and up to AUD27 million in annualised savings going forward.

We will also recognise the material items of AUD5.4 million in the half stemming from the devaluation of the Argentine Peso in December of last year. Upon the election of a new president in Argentina currency exchange controls were relaxed. The official currency was allowed to float. This resulted in a significant devaluation of the Peso which had the impact of a foreign exchange loss of about AUD15.4 million on an unhedged net USD liability. But related profits of about AUD10 million made on lower cost inventory held at the time of devaluation and subsequently sold in US dollars.

Not all of the inventory held at the time of the devaluation was sold through by January 31 and the inventory forecast is to be largely complete by year end and expect to realise a further AUD6 million of related profits. So this should result in a small year-end net gain which we'll report as a significant item at the full year.

We've now identified and disclosed the majority of one-off costs associated with the performance improvement program. The one remaining area where potentially significant restructuring costs are still to be incurred is in relation to the rationalisation of support services. A review of this is now well underway to identify those changes.

Moving on to expenses. On a constant currency basis net expenses grew at about 4%, the same rate as sales revenue. So as a consequence it was pleasing to see that the ratio of SG&A expenses to revenue remained stable compared with the prior year, again on a constant currency basis. Good cost control was also maintained at a corporate level with head office expenses largely unchanged. The increase of AUD800,000 in the current year stems almost exclusively from the accrual in relation to incentive payments.

We believe that we can do more to reduce our operating expenses. This will remain an important objective financially going forward. The underlying effective tax rate was extremely low at 16.4%. This reflects the mix of our profits in the first half and as is usually the case at the half, is not representative of our full year expectations which are still for an underlying effective tax rate around 30%.

So finally net debt and financing costs. Net debt at January 31 in constant currency terms was flat on the prior year. Net external interest expense is AUD36 million and is AUD6 million higher than the prior year. Average net debt is a little higher than the prior year however we've utilised favourable credit markets to negotiate the lower credit margin on our core revolving credit facility. The benefit of this has been more than offset by increasing interest costs in Brazil. This is a combination of both higher bank base rates in Brazil but also as I've discussed the need to make more use of higher costs of Brazilian Real denominated debt.

I'll pass you back to Greg who will take you through the review of the regional results.

Greg Hunt - *Nufarm Australia - MD and CEO*

Thanks Paul. Our crop protection business generated AUD1.15 billion in revenues which was an increase on last year's sales of AUD1.14 billion. Importantly though these sales generated an average gross margin of 28.1% which was significantly stronger than last year's 26.6% average gross margin. Herbicide sales of AUD755 million were 1% down on the same time last year. Glyphosate technical prices were lower in the period resulting in sales and total gross margin contributions slightly down on last year.

Glyphosate volumes were in line with last year. The gross margin percentage has improved as we have focused on higher value products. Phenoxy herbicides revenues and margins were up driven by stronger sales in North and South America. The improvement in margin is also a consequence of our efforts to improve the cost competitiveness of our phenoxys franchise. Insecticide sales were down 7% to AUD152 million over the half mainly due to wet weather and reduced insect pressure in Brazil.

We achieved increased fungicide sales over the half, up 13% to AUD120 million mainly due to weather conditions that have led to increased demand in some European markets. Sales of plant growth regulators in Europe and biorational sales into the trees, nuts, vines and vegetable segment in North America also increased over the period. Whilst these sales are relatively small in the overall context of our portfolio today they will contribute to the diversity of our portfolio as sales continue to grow.

Looking at crop protection sales revenue by region. We believe that this is a key strength of Nufarm is the geographical diversity of our operations. We have continued to maintain a relatively balanced global revenue stream with a good spread of sales across our regions. This provides the company with some protection against adverse seasonal conditions or other market or regulatory factors that may impact revenues in any one region.

The larger cereal growing season in Australian and key demand periods in Nufarm's major Northern Hemisphere markets appear in the second half of the financial year. This is the period where historically we have generated 60% to 70% of our sales.

Turning to specific regional markets sales of AUD231.6 million were generated from the Australia and New Zealand crop protection business, down 3% on the previous year. However the focus on higher quality sales, improved selling discipline and a lower cost base resulted in an improved underlying EBIT result of AUD14.6 million compared to the AUD11.2 million in the prior period.

We continue to make good progress on the restructuring of our manufacturing operations in the region. We have previously announced that we would close the Welshpool, Lytton and Otahuhu facilities. These facilities are now closed. The sites are being remediated and ready for sale. The full benefit of these changes will be realised in the 2017 financial year with lower fixed costs, better plant utilisation and improved efficiencies.

The redevelopment and investment in our Raymond Road insecticides and fungicides facility in Laverton is progressing to plan. Production commenced in February. The various units will progressively come online over the next couple of months.

The manufacturing excellence program at our Laverton Pipe Road herbicide facility was rolled out in November. The annualised benefits from this program will be in excess of AUD5 million and importantly it improves the competitive position of this plant.

The main Australian cropping regions had a very dry start to the period but experienced some good summer rains in December and January. However the very dry February and early March has been a negative. However the rainfall over the next couple of months is the important indicator for a successful winter crop season. Seasonal conditions in New Zealand were more favourable however the dairy sector is facing headwinds as a result of lower milk prices.

In North America crop protection sales grew by 10% to AUD251 million however on a constant currency basis were down about 4% when compared to last year. Underlying EBIT was AUD7.4 million compared to AUD500,000 in the prior period. Last year we changed our sales team structure in North America so that it's more closely aligned with the needs of our customers. Better customer service, more targeted marketing programs and new products that are targeted at the trees, nuts, vegetables and vines segment have assisted us to improve our margins. We will continue to focus on better customer solutions to drive growth in the North American market.

In relation to the streamlining and improvement of our supply chain we are on track to close the Calgary plant in Canada in June. The volumes previously produced at the Calgary plant will be transferred to our Chicago Heights facility where we have made investments to improve the capacity, flexibility and the efficiency of that plant.

Moving to Latin America, as has been widely reported, conditions in Latin America and more specifically Brazil have been very challenging. Crop protection sales were down 2% on the first half of the previous year. Underlying EBIT was AUD58 million, 11% down on the previous year's AUD65 million. However when measured in constant currency sales were up 19% and underlying EBIT up 8%. We believe that this is a credible result when we consider the headwinds that we've encountered in this market.

The weaker Real put pressure on margins as many raw material inputs are priced in US dollars. However we were able to achieve price increases and some procurement savings to help reduce the impact. We have increased our focus on credit and risk management, carefully managing our receivables and channel inventory. In this period we gained and increased share of the soy bean market where plantings were approximately 3% up on the previous year.

Paul has already mentioned the structural shift in the Brazilian market where about half of the sales that were once invoiced in US dollars are now almost exclusively invoiced in Real. This has had a significant impact on the cost of doing business in Brazil because we've been exposed to increased currency risk and greater cost to finance the business.

The Argentinian business performed well despite political and economic instability. The new government devalued the Peso, reduced taxes on gain exports and relaxed some of the foreign currency controls. The impact of the one-off devaluation was included in material items. The exchange loss from the devaluation is expected to be offset by margin increases as most product pricing is linked to the US dollar.

Sales in Europe were ahead of the prior period but relatively flat on a constant currency basis. Underlying EBIT improved to AUD7.1 million ahead of the AUD3.2 million posted in the first half of 2015. Margin increases were achieved due to more disciplined selling policies, higher sales of differentiated formulations and the launch of several new products in the period.

The restructuring of the European manufacturing base is on schedule, with the closure of the Botlek manufacturing facility in The Netherlands. The MCPA production has been relocated to the Wyke facility in northern England and, coupled with the efficiency programs completed last year, will result in significant improvements at this site.

Further manufacturing efficiency programs are under way at the Linz facility in Austria and the Gaillon facility in France. The changes resulting from these programs will permanently reduce the Company's fixed cost base, improve working capital management and support the continued growth of the European business.

During the period we moved to a 100% ownership model in Poland, which was previously conducted by a 50/50 joint venture with FMC. We believe that this is an important growth market, and the new structure will allow us to maximise our potential to build a strong position in the Poland market.

In Asia crop protection sales were AUD71.6 million, compared to AUD83 million in the first half of the prior year. However, underlying EBIT was higher at AUD9.4 million, up on the AUD8.6 million generated in the prior year.

Sales in Indonesia were down due to a longer dry season. However, we were able to offset this to some extent by achieving stronger sales in Japan and China. These additional sales, coupled with increased focus on higher margin products and prudent cost control, led to the improved EBIT result on the prior year.

Moving to seed technologies, sales volumes in this segment were down slightly, whilst overall margin was up slightly. This was largely due to the product mix. The Australian business saw reduced sales in sunflowers and sorghum, caused by the dry conditions leading into December, but this was offset by a higher seed treatment and sorghum sales in the US.

I'm pleased to say that the technical and regulatory work is on track for the Omega 3 Canola project, with expected staged commercialisation due to commence in 2018, subject to the regulatory approval timeframes.

I'd now like to give you some more insight into the work that we've been doing to more clearly define our growth strategy. Nufarm has developed a valuable global marketing and distribution platform through acquisition and organic growth. The next stage in our strategy is about driving more value from this platform by focussing on those core competencies that will take the business to a new level.

There are three main areas of focus. The first are the core geographies where we already have market positions and we believe that there is potential to drive further growth and better returns.

The second, core crops that reflect our strength in product portfolio and market positions and, thirdly, the improvement of our product portfolio and supply chain, which ensures that we deliver high quality products and service to our customers at a globally competitive cost.

In relation to the markets we currently have a very broad reach, selling into over 100 countries, and we believe that we can generate better returns via a deeper rather than broader focus. Latin America, North America, Australia and New Zealand and Europe are our core regions, and we've selected key countries within those regions where we believe that we can be more successful.

As an example, in Europe we see Germany, France and Poland as markets where we can drive sustainable and profitable growth. In Latin America the focus will be more in Brazil and Argentina.

We have an important established base in sales in Asia, and we do see it as a platform for future growth. However, our current portfolio dictates that we have better near term growth potential elsewhere. This does not mean that we will stop selling products into regions and countries outside our core, but it does mean that we will be directing most of our investments to support the core markets where we believe that we can generate the best returns.

In addition to these core markets we've selected five crops that we will focus on. By focussing our resources and investments in this way we believe that we can develop better crop protection solutions for channel partners and end users.

To be clear, this focus does not mean we will not invest in the regional crops that are important to our channel partners and end use customers, but it does mean that the majority of our capital will get allocated to the crops that we've chosen, where we believe that we can generate the best returns on our investments in the crop protection segment.

In relation to our seeds technology segment, as I've said earlier, this is an important growth platform for Nufarm. We have a current focus on three crops -- canola, sunflower and sorghum -- and each of these crops provides us with growth opportunities. We believe that we can develop differentiated positions by focussing on beyond yield traits and business models.

Our canola platform is differentiated with specialty oil platforms. Omega 3 is a very good example of this as we develop solutions rich in long chain, healthy omega 3 oils. The sunflower platform is focussed on both specialty oil and food ingredient solutions required for the increasing need for healthy oil and plant protein for food use. And our sorghum program continues to drive innovation, especially in food efficiency.

While each seed program has organic growth potential from our agronomic traits and hybrids, it is the beyond yield technology focus that will fundamentally improve crop value and provide Nufarm a significant growth opportunity.

The third party of our strategy focus addresses improvements in our supply chain, our product portfolio and the service we offer our customers. The improvements in our supply chain activities commence with the review of our manufacturing facilities. This review considered a number of factors, including plant capacity utilisation, potential growth opportunities in the resident market and the ability to be competitive in supplying local and, in some cases, global markets.

As a result, in Australia and New Zealand we rationalised our manufacturing footprint from six plants to three. We will do the same volumes in the three plants that we were doing in the six, and we still have the flexibility to meet increased seasonal demand in very good years.

And we took the decision to close the plant in The Netherlands and another in Canada. These actions improved the efficiencies of the remaining plants and, therefore, our competitive position and our ability to successfully meet the needs of our customers.

As a part of our supply chain review we have taken the decision to drive our procurement as a centre led function. Previously, this function was spread across five different regions and in many countries. We were not leveraging our global scale and volumes. By centralising this function and lifting the capability of our procurement resources we are targeting up to AUD60 million in savings through this process.

Likewise, our product portfolio will now be more centre led, with investment decisions focussing on developing solutions in the key crops that we have chosen to focus on where we believe we can drive better returns.

In our continuous efforts to improve our average networking capital we are now investing in the implementation of a Company-wide demand in supply, planning, process and systems. The investment is around AUD25 million and, when complete, will give us better visibility on our inventories and where and when product is required. We expect to drive further working capital improvements once the project is completed, by the end of 2017.

Our channel partners and end use customers are at the centre of the changes and the improvements that we are making. Our regional and country salespeople are the key interface with our customers. We are supporting these people to improve our customer service with investments in CRM platforms such as salesforce.com, standardised marketing tools and customer feedback platforms.

We believe that we will secure and attract additional customer support by having a portfolio of products and solutions that meets the needs of our customers, supported by a globally competitive and efficient supply chain and a culture that is focussed on providing the best customer service.

We have changed our operating model to support our strategic direction. All of our supply chain activities are centre led and will report to the supply chain group executive. The strategic portfolio direction and investment decisions report through to the portfolio solutions group executive, and the Regional General Managers who have direct responsibility for our customer interface will now report directly to the CEO. This is a simplified structure that allows for clear responsibilities and accountability and reduces the layers of management between the CEO and our customers.

Turning to our profit (sic - see press release, "performance") improvements program, I can confirm that we are on track to deliver the previously announced AUD116 million by the end of FY2018. In this year we will deliver at least AUD20 million of net benefits, which is in addition to the AUD15 million delivered last year. As we secure these savings and improvements we are reinvesting in our systems, resources and capabilities that will drive sustainable business improvement and ensure that we have an appropriate portfolio to meet the needs of our customers.

Moving on to the outlook for the balance of the year, we expect earnings recovery to continue in Australia, driven by a lower cost base and stronger margins. This does, of course, depend on adequate rainfall to support our sales into the winter crop season. The business will be better positioned to generate consistent returns when the full extent of our cost savings are realised from 2017.

Our North American business is benefiting from a stronger portfolio, a realigned sales force and more favourable seasonal conditions. We have completed the main selling season in Brazil. However, a larger second corn planting season is expected, and an improved result from Argentina is likely to drive a better second half performance than last year in local currency.

We've had a solid first half in Europe, and I expect to see continued growth in our European business over last year. Cost savings will contribute to this improvement. However, it is largely driven by new product releases and share gains in a number of markets.

In relation to seed technologies, we remain cautious on the Australian canola market and overall tougher conditions in global seed markets generally. Growth in the second half over last year will be challenging if we don't see a recovery in the outlook for the Australian canola crop.

Our seed treatment portfolio and European sunflower programs are, however, performing strongly, and this will offset to some extent the earnings reduction if expected canola sales do not eventuate.

Regulatory preparations on omega 3 project are progressing to plan and, as I mentioned earlier, we are still projecting staged commercialisation to commence in 2018 and, again, subject to the regulatory timeframes.

As I have stated, we are on track with our performance improvement program and are committed to deliver an EBIT benefit of at least AUD20 million by the end of the full year. The significant currency fluctuations we are experiencing continue to be a challenge. Exchange losses of AUD5 million were incurred in February due to the further weaknesses in Brazilian and Argentinean currencies. We are not able to fully mitigate the impacts of these movements, and underlying net profit after tax will be impacted by higher net financing expenses.

Despite these challenges we are confident of delivering another solid increase in underlying EBIT growth.

I'll now hand you back to Mark to conduct the Q&A question. Thanks, Mark.

QUESTIONS AND ANSWERS

Mark Keating - *Nufarm Australia - General Manager for Investor Relations*

Thank you, Greg. We'll now move into the Q&A session, and I'll hand you back to our operator, David, to introduce that session and step you through the process for asking questions. David.

Operator

Thank you. (Operator instructions). Your first question will come from the line of Ramoun Lazar from UBS. Please go ahead.

Ramoun Lazar - *UBS - Analyst*

Good morning, guys.

Paul Binfield - *Nufarm Australia - CFO*

Hi, Ramoun.

Greg Hunt - *Nufarm Australia - MD and CEO*

Morning.

Ramoun Lazar - *UBS - Analyst*

Just a couple of questions from me. Just one on the seeds business. Obviously, this year seems to be a fairly significant rebasing year for that business. Just wondering what your thoughts are around the outlook and timeline for turnaround of that business, say, from next year.

Greg Hunt - *Nufarm Australia - MD and CEO*

Thanks, Ramoun. I think it's fair to say that we're experiencing pretty tough conditions in a number of our focus crops. So, clearly, we talked about just the difficulties around sorghum here, confectionary sunflower in the US, and we're putting a bit of a cautious tone in terms of canola here as well for the upcoming season.

In terms of outlook for the business, again, we remain very committed to this business, so we look at the prospect of some exciting product launches. We talked about confectionary sunflower in Europe.

We've got some new launches coming through tail end of this year and into next year and, again, as we've stated this in this presentation, omega 3 is looking increasingly exciting for us. Again, we're bang on track for commercialisation in 2018. So it is a difficult year Ramoun, but we remain committed to this business and, again, very confident that we can get some great returns out of this business in the near term.

Ramoun Lazar - *UBS - Analyst*

Okay. And the (multiple speakers) -- sorry, go on.

Greg Hunt - *Nufarm Australia - MD and CEO*

I was just going to say look, just to add to that, if you just look at commodity prices at the moment I think we're in the cycle. Probably, it could be another year or two before we really start to come out of that cycle, so I think we're taking a cautious approach to the outlook for the next one to two years. And I just think that's realistic in the -- where we are in the current cycle.

Ramoun Lazar - *UBS - Analyst*

Yes, okay. And the rebasing around the Asian confectionary sunflower market that we saw last half, for the last couple of halves, that's pretty much run its course now you think?

Greg Hunt - *Nufarm Australia - MD and CEO*

It certainly has. So, essentially, we had a small contribution from China in sunflower last year. This year that contribution is pretty much nil.

Ramoun Lazar - *UBS - Analyst*

Okay, great. And then in Australia, obviously, there's some benefits flowing through now from the restructuring. Just wondering if you can maybe give us some perspective on the competitive environment. Obviously, there's a couple of new entrants entering the domestic market the last few years. Just wondering what your perspectives are there and where Nufarm sits within that new environment.

Greg Hunt - *Nufarm Australia - MD and CEO*

I think most markets are competitive, and I think -- but in relation to Australia specifically, our focus is really just on improving the competitive position of that business. When you consider the manufacturing footprint, the manufacturing excellence programs, the cost out of the back office, we're targeting savings in that business of around AUD30 million. So as we move through 2017 into 2018 the business is going to be a lot better positioned than it has been in the past to deal with what may be an increasingly competitive environment.

I mean it's an important market to us. We've got a share of somewhere between 30% and 35%, and I just want to be in the position that the market can protect that leading position that we've got and we're -- as I say, we're going to be in a much better position to do that once we realise and reduce the fixed cost base of our business.

Ramoun Lazar - *UBS - Analyst*

Yes, okay. And then just one last one for Paul. Paul, is there any further guidance you can provide us around interest and how we should think about that for the full year, just given all the moving parts?

Paul Binfield - *Nufarm Australia - CFO*

Yes, sure. Clearly, the significant doubts are around interest as being Latin America -- principally Brazil. Collection seasonality starts there. April we start to see some cash inflow firing out from that point, April through May. We'll still have relatively high debt balances in Brazil during that timeframe, so the high net base rates, the fact that we're having to borrow more in Real is going to mean that you'll expect to see an elevated interest expense cost over the prior period in the second half as well.

Greg Hunt - *Nufarm Australia - MD and CEO*

Again, we've done quite a bit, Ramoun, in terms of trying to mitigate that. We've done a great job negotiating the core revolving credit facility here, but it'll not be enough to offset what we're going to see as being a higher interest cost out of Latin America.

Ramoun Lazar - *UBS - Analyst*

Yes, okay. All right, perfect. I'll leave it there.

Operator

And your next question will come from the line of Niraj Shah from Macquarie. Please go ahead.

Niraj Shah - *Macquarie - Analyst*

Hi, guys. Just a question first on Latin America from me given, I guess, the focus over the next few months' shifts to cash collection in Latin America. I was just hoping for a bit more colour on what you're doing from a credit risk management perspective.

Greg Hunt - *Nufarm Australia - MD and CEO*

Yes, sure. I mean pretty fair to say we had a difficult year last year in terms of doubtful debts. We've completely strengthened our focus on credit risk management over the last 12 months. Been a lot more work going to ensuring that we do credit checks up front. We've got a level of credit insurance across the majority of our debtor book. We're changing the focus of our sales, we're increasing the focus of sales towards direct customers who are typically on lower credit risk and shorter terms.

We are -- we remain very vigilant on the ground, Niraj, too. So at this stage -- I mean it's obviously very early in the season in terms of collections. At this stage our doubtful debt experience has been in line with what we see as our long term trend, so typically around the AUD2 million to AUD 3 million a year mark. We had -- the exception being last year of course.

We remain confident that we've got a good quality debtor portfolio, and there's nothing that we've seen to date that suggests that we're going to have a difficult season, albeit it is early days yet. So we're sitting there feeling comfortable we've done the work up front. There are no indicators at this stage that we have any concerns in the current portfolio but collections don't really start in earnest until the April/May timeframe.

Niraj Shah - *Macquarie - Analyst*

Thanks that's helpful. Just a quick one on working capital. I'm just curious to what extent does the inventory's number still include buffer stock associated with the restructure?

Greg Hunt - *Nufarm Australia - MD and CEO*

There is a little bit in there but to be honest the majority of that amount has worked went through the systems there are. So essentially the figure that you're seeing there is our core underlying figure. There really aren't any significant changes. Probably the only shift you have seen this year compared to last in terms of a structural change is of course we've now acquired 100% of the Polish business so all of that working capital is now come onto our balance sheet. Clearly we've only had a very limited, we've only had two months worth of sales coming from that business in this result. So that would be the only anomaly that you would see in terms of working capital.

Niraj Shah - *Macquarie - Analyst*

Okay and have you spread the supplier financing program wider?

Greg Hunt - *Nufarm Australia - MD and CEO*

Yes supplier financing is proving to be a very valuable program both to ourselves and our suppliers. There's continued interest in that program so we've on boarded a number of a new suppliers. We shouldn't underestimate too the important work that the centralised procurement team are doing as well.

So in terms of discussions that they're having with customers even outside supplier financing there is a real focus there on making sure of lowest cost. An element of that is extending terms as well. So you've seen a significant lift in payables over the last year. Part of that is supplier financing. Probably the lion's share of that is around the efforts of the centralised procurement team Niraj.

Niraj Shah - *Macquarie - Analyst*

Great, thank you Greg.

Operator

Your next question will come from the line of James Ferrier from Wilson HTM. Please go ahead.

James Ferrier - *Wilson HTM - Analyst*

Good morning Greg and Paul. Thanks for your time this morning and congratulations on the result. The first question is just one of clarification. In the presentation you talked about value -- the focus crops. I'm just wondering there was no specific reference there to canola or sunflower given they are part of Nuseed's business. Can you just confirm that that is the case, they're not actually part of your focus crops on the crop protection side.

Greg Hunt - *Nufarm Australia - MD and CEO*

No that's correct. Look the reality is there is there's not a lot of link between the crop protection business and the three crops that we've got in Nuseed. I'd just call out that if you think about canola in the Australian business it is an important regional crop. Whereas we're saying the majority of our capital will get allocated to the five crops that we've chosen where there are regional crops like canola in Australia and sugar cane in Brazil, we will allocate some capital into those crops as well.

James Ferrier - *Wilson HTM - Analyst*

Yes okay. The reason I ask that Greg is it tends to be the case that most companies try to focus both on the seed and the crop protection aspects for a given crop. Am I right in what you're saying and the interpretation there is Nufarm's not seeing it as necessary to take a focus on both ends.

Greg Hunt - *Nufarm Australia - MD and CEO*

No that's right.

James Ferrier - *Wilson HTM - Analyst*

Okay. Then second question is on the Sumitomo agreement. There wasn't much mention of it in this presentation. So could you just give us a bit of an update around where Nufarm's at with the performance of the recent agreement and where you might see some additional or prospective new agreement opportunities?

Greg Hunt - *Nufarm Australia - MD and CEO*

Look I think the first point I'd make is the relationship with Sumitomo continues to be important and positive. I think the fact that we now have got very clear on where we want to play, in which geographies and which crops, we can now start to focus on within those crops where are product gaps that we've got.

I think that that's where Sumitomo can play a very important role in making sure that we've got the appropriate portfolio whether that's new products that they've got coming to market or whether it's taking the existing Nufarm portfolio with some of their existing portfolio and developing new mixture products that gives us differentiated positions in those crops.

So whereas the focus to some extent has been more around different geographies and where we distribute their products and they distribute ours, the focus is now really starting to move to where the two companies can work together to genuinely create some differentiated portfolio offerings for us.

James Ferrier - *Wilson HTM - Analyst*

Yep okay. Then final question from me is with respect to the results in North America in the first half quite a substantial improvement in earnings. Obviously there was a partial benefit or a small benefit around FX translation and Greg I think you did mention an expanded portfolio of products as well. To what degree has the timing of your sales program with turf and ornamental products, to what degree has that benefited the result?

Greg Hunt - *Nufarm Australia - MD and CEO*

There's no doubt that I think if you remember back to last year we did talk about participating more strongly in the early order program as far as the TNO business is concerned and that has contributed to some improvement in the first half result. I still believe with the momentum that we've got in that business and again the focus around the crops, I would be disappointed if we don't see an improvement over last year for the full year. There's just very good momentum in that business.

James Ferrier - *Wilson HTM - Analyst*

Terrific. Thanks for your time.

Greg Hunt - *Nufarm Australia - MD and CEO*

Thanks James.

Operator

Your next question will come from the line of Mark Wilson from Deutsche Bank. Please go ahead.

Mark Wilson - *Deutsche Bank - Analyst*

Thanks very much. Greg, I was just wondering if you could outline the nature of the supply agreement with Fu Wah Group.

Greg Hunt - *Nufarm Australia - MD and CEO*

Look I don't intend to go into any of the commercial relationships that we have with any of our suppliers other than to say that Fu Wah has been a supplier to the Group probably for the last 18 months or two years. It's fundamentally around glyphosate but I don't intend to detail the specific nature of that relationship.

Mark Wilson - *Deutsche Bank - Analyst*

Right okay but is it fair to say that they're one of many suppliers of glyphosate tech?

Greg Hunt - *Nufarm Australia - MD and CEO*

No I wouldn't say they're one of many. We've got, as part of our whole procurement and supply relationships they're becoming fewer rather than more. We probably have three suppliers in our glyphosate business that would make up the majority of the volumes that we sell. They're a key supplier but one of three really.

Mark Wilson - *Deutsche Bank - Analyst*

Right okay. Thanks very much for that. Just in terms of what you are seeing in each of your key markets given where commodity prices are, are you seeing any major changes in customer behaviour?

Greg Hunt - *Nufarm Australia - MD and CEO*

No look I don't think there's anything that you would call out specifically other than to say I think when commodity prices are depressed and farmers terms of trade tend to get squeezed, companies like Nufarm tend to do better as farmers look for I guess cheaper alternatives and I think if you look at some of the results that have come out in recent times it's really some of the off pattern companies that are probably doing a little better in this environment.

Mark Wilson - *Deutsche Bank - Analyst*

Great, thanks Greg.

Operator

Your next question will come from the line of Paul Jensz from PAC Partners. Please go ahead.

Paul Jensz - *PAC Partners - Analyst*

Can you hear me okay Greg?

Greg Hunt - *Nufarm Australia - MD and CEO*

Hello Paul. Yes very well Paul.

Paul Jensz - *PAC Partners - Analyst*

Just three quick questions. Firstly on seeds, this is the easier part, just trying to get a gauge of I suppose the cash flow in the development of the seeds being put through the cash flow statement. You're up from AUD26 million to AUD37 million for payment of acquired intangibles and major development. I'm just wondering how much went into seeds?

Paul Binfield - *Nufarm Australia - CFO*

That's a good question Paul. In terms of incremental cash flow probably the lion's share in this period has been Omega 3. So I think we made the reference that as we progressed through this project that this year and the next two or three years are going to be that much higher in terms of cash outflow for Omega 3. The other significant shift in this period is a project both Greg and I refer to which we call the link project which essentially is the supply chain transformation exercise that we have underway.

The core of that is an upgrade of our technology. That's a AUD25 million project over a three year timeframe. We kicked that off at the beginning of this period. So a significant chunk of that increase relates to that project as well Paul. So a culmination of Omega 3 and Link will be the best summary of that delta.

Paul Jensz - *PAC Partners - Analyst*

So we can extrapolate that say at AUD35 million to AUD40 million out for the next couple of years as Omega 3 gears up and Link stays up (multiple speakers).

Paul Binfield - *Nufarm Australia - CFO*

In terms of a top down estimate of what I'd expect for the full year, something in the region of about AUD70 million to AUD75 million for the current year. I would expect to see that maintained because we do have as I say obviously the Link project from an IT perspective and as Omega 3 also approaches the registration phase there will be continued higher spend in that as well. So something around that level of AUD70 million or AUD75 million for this year and probably progressing for the next couple of years as well will be a fair estimate.

I think the flip side of that though Paul is CapEx in relation to PP&E. Again this year is a slightly higher year just because we've had the situation of upgrading the INF plant in Laverton. That spend is largely complete. So I'd expect the full year PP&E spend to be in the region of say AUD50 million, perhaps AUD55 million at the outside. I'd want to see that full backed to probably around the AUD40 million/AUD45 million mark possibly even lower than that going forward.

Paul Jensz - *PAC Partners - Analyst*

Thank you for that and just a minor one on seeds just with the -- I think there was the white sorghum one there Greg or Paul. Has that been downplayed a bit as the focus goes on Omega 3?

Greg Hunt - *Nufarm Australia - MD and CEO*

No it's not been downplayed Paul. Essentially it's still a live project and we still continue to invest in it. The fact is that that sort of in its commercialisation phase and we continue to progress with our partners on that product.

Paul Jensz - *PAC Partners - Analyst*

Okay (technical difficulty). Just the final area is just around working capital. Just getting some feedback from Australia and other parts of the world that there is that pressure that you're putting on the working capital which is great for Nufarm. Are you measuring I suppose the negative side of that in that you're perhaps inability just in case there's a surge in the season getting favourable or has there been any backlash from distributors or others that have gone elsewhere that don't allow you to grow when the opportunities come back in particular regions or products?

Greg Hunt - *Nufarm Australia - MD and CEO*

I think the important focus here Paul is if you look at what's happened to our networking capital, the primary driver here has been around inventory. It's been around payables. The payables has been driven largely by the supplier finance program and procurement activities. Supplier finance is an absolute win-win. We've got suppliers who are asking to sign up to it because there was actually a benefit in it for them as well.

In terms of procurement process again it's a negotiation. It's a negotiation around price, around terms and it's a sensible approach. Typically in a position whereby we're sitting down with suppliers and saying you currently have 5% of Nufarm supply if we give you 80% of global supply, what does that do to your pricing? That's obviously driving some good benefits coming out. In terms of I think your comment there was in relation to our customer base, you'll find that we've not done a significant amount in terms of placing pressures on our customers on that front.

Paul Binfield - *Nufarm Australia - CFO*

I think on that Paul just a further comment probably more specific to the Australian market is we have been driving that business to improved margins. So to some extent it was a margin verses a volume gain. It's always a fine line. We get constant feedback from our customers about how competitive we are or are not in those markets. It's pretty balanced. I'm not saying we've got it 100% right but it's one of those things that we constantly look at.

We think that the balance is pretty right at the moment. If we need to change our focus, we have the ability to do that. I think in terms of a surge in demand it has been pretty dry over the last couple of months but I think Nufarm given our manufacturing base in Australia is probably better positioned than most if there was a significant spike in demand. We're probably better placed to meet that increased demand.

Paul Jensz - *PAC Partners - Analyst*

Thank you. Thanks Paul and Greg. Thank you, I'll step back.

Operator

Your next question will come from the line of Larry Gandler from Credit Suisse. Please go ahead.

Larry Gandler - *Credit Suisse - Analyst*

Good day gentlemen. A couple of questions from me. Can I just refer to the slide 28 the cost out initiatives procurement -- AUD32 million to AUD64 million is the target. Can you just talk about what is causing that wide variation maybe some of the variances there and maybe can you give us a feel for how much of that has already been achieved? Have you already banked the AUD32 million in this sense or executed upon that?

Paul Binfield - *Nufarm Australia - CFO*

This is very much a process Larry in terms of sitting down with supplier and working through. In terms of the focus obviously there have been, we start with those who we think we can get the biggest bang from. I think we are still very early in the process. So in terms of that range we would still believe that we are a long way off achieving the AUD32 million. In terms of what's causing the variability again it's early in the process.

So we continue to look at initial focus being raw materials. We've recently started the project too looking at indirect procurement activity as well. We think there are some benefits there too. So a lot of this is I guess guiding the market to say well we're pretty confident we can hit AUD32 million but we have aspirations in terms of achieving at the top of that range AUD64 million.

Larry Gandler - *Credit Suisse - Analyst*

Does it depend on your budgeted demand? I imagine it would but I'm just sort of wondering what factor that plays?

Paul Binfield - *Nufarm Australia - CFO*

It does play a role in terms of the sheer volume throughput. We are seeing obviously volumes being maintained so we're seeing quite a -- the first half performance this year I think we've been quite pleasantly surprised at our top line growth in constant currency terms. So in that regard we're remaining pretty comfortable with that range Larry.

Larry Gandler - *Credit Suisse - Analyst*

Okay good. My second question relates to phenoxy. You guys have taken a lot of cost out of that supply chain. I'm just wondering Greg maybe you can kind of run through the overall phenoxy market where Nufarm kind of sits in terms of market share and where you think Nufarm sits in the cost curve. Is Nufarm now perhaps even a low cost producer in that market?

Greg Hunt - *Nufarm Australia - MD and CEO*

Yes thanks Larry there's a lot in that. I think when you look at our facilities the 24D production in Laverton, 24D production in Linz and then the MCPA production now in Wyke. I think the Australian business with the or the plant with the savings that we're making there, we would feel that that plant on a delivered to market versus the competition is competitive certainly in terms of the local market and fundamentally into the Americas.

It's difficult to get a handle on competitor's costs as to some extent we are very protective of the information that we put into the market as well. On what we know and believe, we're pretty comfortable with Laverton. When we then move to Europe certainly the cost base that we've got in our European plant we think in the medium to longer term it will be increasingly difficult for that facility to supply competitively into the Americas versus some of the emerging competition that we're seeing.

However, when we look at the potential in some of the European, Eastern European and Northern African markets, we think that that plant with the volumes that it's producing as long as we can grow our share and part of the strategy is really to drive deeper in the markets that we've selected. If we can achieve that, then we think that we can comfortably absorb the volumes that we're producing out of that European plant.

MCPA is different because we are a significant producer of MCPA globally but again the changes that we've made moving that production from the plant that we closed in Botlek to Wyke. Again it' difficult to compare because we are the major manufacturer of MCPA but I guess there's no real comparator but what we do know is that we have been able to move the cost of that production down by meaningful percentages.

Larry Gandler - *Credit Suisse - Analyst*

Okay that's good, thanks Greg. I think Ben will have some further questions.

Greg Hunt - *Nufarm Australia - MD and CEO*

Yep, no that's fine Larry.

Operator

Your next question will come from the line of --

Greg Hunt - *Nufarm Australia - MD and CEO*

Any more questions?

Operator

Pardon me, your next question will come from the line of Ben Levin from Credit Suisse. Please go ahead.

Greg Hunt - *Nufarm Australia - MD and CEO*

Hi Ben. He's not there. No. Are there any more questions on the line?

Operator

Yes, your next question will come from the line of Richard Johnson. Please go ahead.

Richard Johnson - *Citibank - Analyst*

Thanks very much. Greg I just wanted to ask you a question around some of the longer term trends in Brazil. Obviously the 3% rise in soy plantings in the first half has been critical to your progress there. I was just kind of thinking about was there anything in the ebb and flow of global markets that might mean that that level can't be sustained in the medium term or how should we think about it?

Greg Hunt - *Nufarm Australia - MD and CEO*

What in terms of the 3% growth you mean (multiple speakers).

Richard Johnson - *Citibank - Analyst*

Yes correct. Yes if that was effectively a very important driver in the first half when we check the rise in plantings. How do we think about it longer term?

Greg Hunt - *Nufarm Australia - MD and CEO*

I think when we look at our portfolio and again soybean is one of the key crops that we are focusing on and particularly when you consider our phenoxys portfolio and some of the mixture products that we believe that we can develop, it's focused on those crops. We see certainly some more opportunities for us in Brazil and as I said Argentina and North America are key markets as well.

Certainly in Brazil we've got, when we look at the share of the market that Nufarm, the overall market that Nufarm has in Brazil it's single digit but if you look at the share and the relevant share that we've got particularly in 24D it's meaningful and I guess the challenge for us in those markets is how we use that relative share to sell other products to our customers on the back of the position that we've got with phenoxys.

Paul Binfield - *Nufarm Australia - CFO*

I think Richard too most of the soybeans are exported into China and are then used for feed into animal livestock for more proteins for humans. So as China's middleclass expands and is expected to double in the next 10 to 20 years that demand for protein is only going to grow. So you'd expect soybeans in Brazil to continue on a growth path.

Richard Johnson - *Citibank - Analyst*

Great, thanks. Then Paul could you must remind me what the hedging costs are. So if all other things being equal what the cost, the literal cost of the hedging would be in the second half?

Paul Binfield - *Nufarm Australia - CFO*

Expectations, the primary focus here again is (inaudible) in terms of the cost of hedging. We're typically running as somewhere between AUD500,000 to about AUD750,000 a month. That covers both Argentina and Brazil.

Richard Johnson - *Citibank - Analyst*

Okay perfect. Then finally presumably there's nothing that leads to concerns around second half cash flows or cash connection that would leave you at the year end with debt levels that might not be where you want them to be?

Paul Binfield - *Nufarm Australia - CFO*

No particular concerns at this time Richard. I guess the only sort of watch out we would say is that the working capital position as at 31 July last year, the AUD815 million that we had was very low. Whether we can match that level given the business growth stays is up for question. That said, we remain confident in terms of the key focus of the business which isn't a point in time measure but is the average and we remain confident that we'll hit that average net working capital over sales ratio of 40%.

Richard Johnson - *Citibank - Analyst*

So that's very helpful, thank you.

Paul Binfield - *Nufarm Australia - CFO*

Thanks Richard.

Greg Hunt - *Nufarm Australia - MD and CEO*

Yes we might draw the questions to a close there. I'd just like to thank everybody in the call for your interest today. We will be participating in investor meetings over the coming couple of weeks but by all means if there are questions still outstanding, you're more than welcome to contact me directly or hopefully we do catch up with most of our investors in the next couple of weeks. Again I thank you for your interest in Nufarm today.

Operator

Ladies and gentlemen, that does conclude our call for today. Thank you all for participating. You may now disconnect.
