Nufarm

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

21 March, 2018

Preliminary announcement
Results for the half year ended 31 January 2018

First half underlying EBIT in line with guidance; business on track to deliver full year earnings growth

Highlights

- **Group revenues: $1.46 billion, up by 7.4% (up 9.9% in constant currency)**
- **Underlying EBITDA [(1)(2)] of $123.2 million, down by 4.3% (up 0.9% in constant currency)**
- **Underlying EBIT [(1)(2)] of $75.0 million, down by 11.8%**
- **Underlying net profit after tax [(3)] of $10.7 million (2017 1H: $19.8 million)**
- **Reported net profit after tax of $12.0 million (2017 1H: $20.0 million).**
- **Performance improvement program on track to deliver targeted $116 million by end of this financial year**
- **European acquisitions completed; integration well planned and execution underway**
- **Omega-3 canola approval received in Australia**
- **Average net working capital to sales: 37.8% (2017 1H: 37.1%)**
- **Interim dividend: 5 cents per share (2017 interim: 5.0 cents per share)**

Nufarm Limited today announced a statutory net profit after tax of $12.0 million for the six months to 31 January 2018. The statutory profit result includes the impact of $20.8 million in pre-tax one-off acquisition costs, which are more than offset by a $22.1 million tax credit, mainly related to the change in the US tax rate. The statutory profit after tax of $12.0 million compares to $20.0 million in the first half of last year.

Group revenues increased by 7.4% to $1.46 billion (2017: $1.36 billion), despite a period of little to no growth in the overall industry. The group's strong first half revenue performance reflected sales growth in North America, Europe, Asia and in our seeds business. Revenues were generally in line with the prior period in Australia/New Zealand, but were lower in Latin America (when reported in Australian dollars), where market conditions were challenging.

Underlying earnings before interest, tax and amortisation (EBITDA) decreased by 4% to $123.2 million and underlying earnings before interest and tax (EBIT) decreased by 11.8% to $75.0 million. The half year results were impacted by a scheduled plant upgrade in Australia and tougher operating conditions in the Brazil market. Underlying net profit after tax was $10.7 million, down 46% on the $19.8 million reported in the prior period. Earnings per share (excluding material items) were 1.8 cents (2017: 5.2 cents).

The company remains confident of delivering underlying EBIT growth in the range of 5% to 10% for the full year, driven by continued revenue growth and benefits from the performance improvement program.

Average net working capital to sales was 37.8% (1H FY17: 37.1%). There is a continued strong focus on working capital management.

Net debt at 31 January was $544 million, down on the $856 million in 2017. The net debt was impacted by the proceeds from the acquisition-related equity raising of $437 million in the first half. These acquisitions were completed in the second half of the financial year.

Six months ended 31 January	2018 $000	2017 $000	Change %
Revenue	1,460,130	1,360,070	7.4%
Underlying gross profit	412,225	395,297	4.3%
Underlying EBITDA (1)	123,186	128,696	-4.3%
Underlying EBIT (1)(2)	74,962	85,000	-11.8%
Operating profit	75,012	85,264	-12.0%
Underlying net profit after tax (3)	10,671	19,771	-46.0%
Net profit after tax	11,959	20,035	-40.3%
Underlying net operating cash flow	(189,769)	(187,630)	-1.1%
Basic earnings per share - excluding material items (cents)	1.8	5.2	-65.8%
Total dividend per share declared in respect of period (cents)	5.0	5.0	0.0%

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 January 2017 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 2018 Nufarm Limited Financial Report for the independent auditor's report to the members of Nufarm Limited.

Interim Dividend

Directors declared an unfranked interim dividend of 5.0 cents per share (2017 interim dividend: 5.0 cents).

The interim dividend will be paid on 4 May 2018 to the holders of all fully paid shares in the company as at the close of business on 6 April 2018. 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 9 April and ending 20 April. The last election date for shareholders who are not yet participants in the DRP is 9 April 2018.

Interest / tax / cash flow

Net external interest expense was $42.1 million, which is $4.2 million lower than the previous period. The lower interest expense is primarily driven by reduced Brazil average debt levels and a

reduction in the Brazil base borrowing rates. The proceeds from the equity raising ($437 million) received in the first half and associated with the acquisitions (settled in second half), also reduced interest expense. The net interest expense for the full year is expected to be in the $95 million to $100 million range, including the funding cost of the acquisitions.

Total underlying net financing costs were $56.3 million, compared to $52.5 million in the prior period. Foreign exchange losses were $14.2 million, compared to $6.2 million recorded in the first half of 2017. The exchange loss relates mainly to the cost of hedging the Latin American operations ($5.4m) and exchange losses in the UK ($2.6m) and emerging markets. The cost of hedging Latin American exposures is expected to continue at $1 million to $1.5 million per month.

The underlying effective tax rate was 43.5% for the period, reflecting the mix of profits in the first half. This compares to 38.4% in the prior period. The company expects the full year tax rate to be close to 30%. The first half income tax expense includes a $15.6 million credit, due to the reduction in the US statutory tax rate, and its subsequent effect on the deferred tax assets/liabilities on the US entity's balance sheet. The USA tax rate reduction should result in a 1% fall in the group effective tax rate in the near term.

The business recorded a net underlying operating cash outflow of $190 million in the first six months of the year, which is in line with the prior period.

Acquisitions

During the first half, Nufarm signed and announced agreements to acquire crop protection product portfolios, from FMC Corporation for US$85 million, and from Adama and Syngenta for US$490 million. The acquisitions were subject to regulatory approval, and both acquisitions were subsequently completed in the first quarter of 2018. The acquired portfolios consist of established brands, formulations and registrations for the European market. These product portfolios strengthen the company's position in our core crops and key markets in Europe and provide additional scale that will make Nufarm more relevant in the industry. The integration process for the acquisitions is well planned and execution is underway.

Material items

The company incurred one-off material items relating to the two European acquisitions ('Century' portfolio from ADAMA/Syngenta and cereal herbicide portfolio from FMC); the sale of a former manufacturing site in New Zealand; and the change in the US corporate tax rate.

One-off transaction costs of $4.9 million were incurred in relation to the European acquisitions. Further acquisition costs of up to $20 million will be booked in the second half relating to the completion of the transactions.

Following the Century acquisition announcement, the group raised additional equity in Australian dollars to help fund the acquisition. To eliminate the cash flow risk associated with the settlement of the purchase price in US dollars, the group entered into a forward derivative for the Australian dollar value of the deal. This derivative does not qualify for hedge accounting. At 31 January 2018, an unrealised loss of $20.1 million was recognised on the mark-to-market value of the derivative as the Australian dollar had appreciated against the US dollar. The derivative was settled with the

Nufarm

completion of the Century acquisition earlier this month, and resulted in a realised loss to the group of $1.8 million being booked in the second half.

Nufarm sold a former manufacturing site located in New Zealand, that was closed as part of the performance improvement program. The net cash generated from the sale was $5.4 million, with a profit on sale recognised of $4.2 million.

Operating segments summary

The following table provides a summary of the performance of the operating segments for the first half of the 2018 financial year and the prior corresponding period.

6 months ended 31 January	Revenue			Underlying EBIT		
($000s)	2018	2017	Change %	2018	2017	Change %
Crop protection						
Australia and New Zealand	300,485	306,255	-1.9%	6,481	13,255	-51.1%
Asia	95,251	94,299	1.0%	14,935	14,514	2.9%
Europe	173,061	150,881	14.7%	2,489	8,830	-71.8%
North America	371,735	291,108	27.7%	22,425	17,699	26.7%
Latin America	450,884	466,921	-3.4%	52,693	55,840	-5.6%
Total Crop protection	*1,391,416*	*1,309,464*	*6.3%*	*99,023*	*110,138*	*-10.1%*
Seed Technologies - global	68,714	50,606	35.8%	4,549	(194)	2444.8%
Corporate	-	-	n/a	(28,610)	(24,944)	14.7%
Nufarm Group	**1,460,130**	**1,360,070**	**7.4%**	**74,962**	**85,000**	**-11.8%**

Australia / New Zealand

Australian/New Zealand sales were in line with the prior year, despite the total market being down in the second half of 2017, caused by weak spring fungicide and summer herbicide markets. The business continues to focus on regaining volume and share. Pricing in the market remains very competitive.

The Australian and New Zealand business generated sales of $300.5 million, down 2% on the previous year ($306.3 million). Underlying EBIT was $6.5 million compared to $13.3 million in the prior period.

The EBIT result was impacted by a scheduled plant upgrade at the Laverton manufacturing site. The 2,4-D plant was down for a total of nearly eight weeks, and works included the replacement of two reactors involved in the synthesis process. This will improve long term efficiency and productivity of the plant. Lost recoveries from the scheduled shutdowns impacted the first half result by $7.6 million. For the second half, 2,4-D production is expected to be 34% ahead of the first half, and 12% ahead of the second half last year.

Climatic conditions in Australia saw a poor finish to the winter cropping season, resulting in the grain harvests being down 36% on the prior year. Summer rainfall has been mixed, with key cropping zones of northern NSW and southern Queensland very dry, but the west received good rainfall which provides an optimistic outlook for that region for the coming winter season.

The merger of the company's two brands in Australia, Nufarm and Crop Care, has progressed well, with the integration providing business efficiencies and better service to customers.

Asia

Asian crop protection sales were $95.3 million compared to $94.3 million in the first half of the prior year. Underlying EBIT was $14.9 million, up on the $14.5 million generated in the prior year.

Indonesia sales were up 2% on last year, driven by good weather, stable Glyphosate sales and good Phenoxy sales. The Asian business has a longer-term strategy to diversify the sales base across crops, and to that end, there were several new products successfully launched into the TNVV (trees, nuts, vines and vegetables) and seed treatment markets during the first half period. Sales into Japan were down on the prior period, as additional competition in the Glyphosate non-crop segment impacted sales.

North America

North American crop protection sales grew by 28% to $371.7 million. Underlying EBIT was $22.4 million compared to $17.7 million in the prior year.

The good momentum in the North American business continues, with strong sales of commodity products into the broadacre segment providing additional selling opportunities for the broader portfolio. We continue to strengthen customer relationships, and a positive reaction to early sales programs has led to market share gains. The Canadian business has performed well with sales ahead of the prior period. T&O (turf and ornamental) sales are in line with last year, despite the negative impact of the hurricanes in Florida. The hurricanes affected the citrus and greenhouse nursery markets, and pushed logistics costs higher, by approximately $4 million, across the entire business.

Latin America

Latin American crop protection sales were down 3% on the first half of the previous year ($451 million v $467 million), and represented 31% of the total first half group revenues. Underlying EBIT at $52.7 million was down 6% on the prior period's $55.8 million.

The first half period encompasses the key selling season in Latin America. The largest market, Brazil, experienced average climatic conditions, but pricing was very competitive, leading to lower margins. The value of the Brazil crop protection market was down 7% in 2017 (as measured in US dollars) compared to calendar year 2016. Nufarm's local currency sales were up by 4%, and we increased share over the 2017 calendar year. The sales growth was driven by higher volumes (+5.3%), offset by pricing pressure (-1.7%). The short-term pricing pressure resulted from the market not passing on cost increases relating to active ingredient supplies from China.

Argentina sales were down 6% in local currency, impacted by climatic conditions, a reduction in Glyphosate volumes and competitive pricing. The weather started well, with good rainfall during July and August having a positive impact on winter cereal yields. But the end of the calendar year saw drought conditions that delayed corn and soybean plantings, and reduced the use of crop protection products. Despite this, the business grew margins by reducing the number of active accounts and concentrating on top-tier, loyal channel partners. The weaker Peso impacted Argentina earnings when translated to Australian dollars.

Risk management remains a key priority. The Latin American business managed its currency exposure well in the first half, with exchange losses in line with guidance. A stronger Australian dollar had an adverse impact on the translation of local currency earnings. Latin America net working capital showed an improvement on the prior year, with better collections and longer financing terms from suppliers.

Europe

European sales were up on the prior period by 15% (2018: $173 million v 2017: $151 million). Underlying EBIT deteriorated to $2.5 million, from the $8.8 million posted in the first half of 2017, however, historically 90% of the Europe earnings come in the second half of the financial year. The lower EBIT was due to manufacturing interruptions and currency impacts on sales into the Americas. Seasonal conditions were generally average, except for dry spells in Spain, Portugal and Italy, which impacted opportunities in those countries.

Nufarm's branded sales were up 14% on the prior year, with good demand for most products and increased sales of Kyleo (glyphosate and 2,4-D mixture). The gross margin percentage remained stable for the branded products, as cost increases were able to be passed on in selling prices.

The European Industrial business (third party technical sales) suffered in the first half. Volumes were down 5%, with MCPA output behind schedule due to steam outages affecting production levels in the first half, but production is now back at normal levels. Gross margins also suffered as export sales (based in United States dollars), into North America and Latin America, were impacted by the stronger Euro (+7%) and Great Britain Pound (+4%) during the first half as compared to the prior period.

The European back-office harmonisation project is on track, with the initial countries live on the new Oracle ERP system from 1 November 2017. Subsequent countries go live in June and August this calendar year. The shared service centre has been established in Krakow, Poland, and is adding value to the business. This project will start to deliver benefits to the business in the second half of the current financial year, with further benefits next financial year.

Major product segments

Crop Protection

Nufarm's crop protection business generated $1.39 billion in revenues, which was up 6% on the previous year sales of $1.31 billion.

Herbicide sales were up 12% to $976 million. Glyphosate sales are well up on last year, due to a higher average technical price, and improved volumes in North America and Europe. The Glyphosate margin percentage is in line with the prior period. Phenoxy herbicide revenues are up 10% on last year, but margin is slightly down, driven by currency impacts. Other herbicides are well ahead of last year, with Picloram and Carfentrazone being the main drivers.

Group insecticide sales were up 6% to $197 million, and margin percentage is in line with the prior period. The increased sales were driven mainly by Imidacloprid sales in seed treatment applications. Abamectin and Etoxazole sales for mite control were also up in Brazil.

Fungicide sales were down by 9% to $113 million, with margins in line with the prior year. The fungicide portfolio was impacted by the low disease levels in Brazil, where the total market for fungicide products was down over 20% in calendar year 2017.

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 $68.7 million, 36% ahead of the prior period sales of $50.6 million. The segment generated a profit of $4.5 million at the underlying EBIT level, compared to a $0.2 million loss in the prior first half.

A combination of higher seed treatment sales and strong first half seed sales in Latin America have delivered good sales growth in the seed technologies segment. The seed treatment sales growth was across most regions with highlights being the launch of Fipronil in Brazil, better sales of Flutriafol in ANZ, and good sales in North America. For seeds, we saw good market share gains in Latin America and Australian canola end-point-royalties in line with the prior period. Nuseed continues to grow ahead of the market, driven by a strong pipeline of new products and its 'Beyond Yield' strategy.

On 13 February 2018, Australian regulators approved the company's omega-3 canola for production and use in feed and human consumption. The omega-3 canola program, in partnership with CSIRO and GRDC, continues to progress towards commercial activity in 2019. Successful pre-commercial production of grain and conversion to oil from our US base - under the US Department of Agriculture notification process – is facilitating downstream application trials. We have strong engagement from potential customers who will move forward with field tests with our omega-3 product. The Australian approval facilitates the submission of other regulatory applications in priority markets that recognise Australia as a reference country. Nuseed's proprietary position in the technology continues to strengthen, and we are well positioned to be first to market with a land-based, sustainable, long-chain omega-3 solution.

Balance Sheet Management

Net debt at 31 January was $544 million versus $856 million in the prior year. The net debt was impacted by the cash proceeds from the equity raising ($437 million) associated with the acquisitions. The cash had been received at 31 January but the acquisitions were settled in the second half of the financial year. Excluding the impact of the equity proceeds, the net debt would be $981 million, which is a $125 million increase on the prior year. The higher net debt is in line with the increased net working capital of $119 million over the same period.

Average net debt was lower than in the previous six-month period ($688 million versus $805 million) due to the equity raising proceeds.

Management continued its focus on driving efficiencies in working capital management, with average net working capital to sales at 37.8% (2017 1H: 37.1%). For the full year, we are targeting a 37% average net working capital to sales ratio. Despite the sales growth in the business, the actual net working capital at 31 July should be broadly in line with last year, however, the year-end net working capital position is highly influenced by the phasing of sales through the second half of the financial year.

Average net working capital over the last twelve months was $1,213 million compared to $1,101 million in the prior period. Receivables and inventories were the main drivers of the increase in the average net working capital.

Gearing (net debt to net debt plus equity) was 21.2% (2017 1H: 35.8%). Excluding the proceeds from the equity raise, the gearing would be 32.7%. The leverage ratio (net debt divided by the 12-month rolling EBITDA) was 1.41x (2017 1H: 2.21x). Excluding the proceeds from the equity raise, the leverage ratio would be 2.55x.

Cost savings and performance improvement program

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

The performance improvement program covers a broad range of initiatives across all areas of the business including: manufacturing footprint and efficiencies; procurement practices; supply chain and logistics; selling, general and administrative expenses; and product portfolio.

The company had delivered $101 million in benefits from the performance improvement program to the end of the 2017 financial year. Additional benefits in the current year will result from manufacturing efficiencies, procurement benefits and from selling, general and administrative expense savings.

Outlook

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

The company's performance in Australia will continue to improve, with the key focus on volume and market share recovery. The scheduled plant shutdowns in the first half will result in improved productivity through the second half of the financial year. Good summer rains in Western Australia, and recent rains in Queensland and Northern NSW provide an optimistic outlook for the winter cropping season. Given normal weather, the business is expected to generate full year earnings broadly in line with the 2017 financial year.

With the good business momentum generated in North America in recent years, and the strong support we are receiving from channel partners, the North American business is well positioned to outperform in the second half (in local currency).

The second half will be challenging in Latin America. The delayed Brazil soybean season has impacted the second half Safrinha corn plantings, and the dry conditions in Argentina have reduced the soybean plantings. Despite these downside risks, we expect the second half Latin America earnings to be in line with the prior period.

Given normal seasonal conditions, the European business is expected to have a better second half than last year. The growth will come from continued focus on higher margin products and the

benefits of the manufacturing efficiency programs. The new acquisitions are not expected to have a material impact on EBIT in the 2018 financial year, but are forecast to generate a combined EBITDA contribution of $110 to $115 million in the 2019 financial year. Amortisation on the acquisitions is expected to be $55 million, giving an EBIT range of $55 to $60 million in the 2019 financial year.

Assuming adequate planting conditions, the seed technologies segment is expecting another solid year of sales and earnings growth. The current outlook for Australian canola is optimistic, with good moisture in Western Australia and canola pricing attractive compared to wheat. The second half is expected to see continued positive progress on the omega-3 canola program, as we move forward with field tests with potential customers, and scale up the pre-commercial activity ahead of a planned commercial launch in the US next year. This assumes US regulatory approval, which is progressing to expectations.

Nufarm expects net interest expense to be in the $95 to $100 million range, including the funding cost of the acquisitions. The guidance for foreign exchange impact is in the $20 to $25 million range, assuming $1 million to $1.5 million per month of hedging cost for Latin America in the second half.

The combination of cost saving benefits and revenue growth in most of the company's businesses is expected to result in underlying EBIT growth of between 5% and 10% for the 2018 financial year. This assumes relatively normal second half seasonal conditions in our key geographic markets.

A strong focus will be maintained on balance sheet objectives, in particular working capital efficiencies.

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 $48.224 million for the half year ended 31 January 2018 and $43.696 million for the half year ended 31 January 2017. 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	2018 $000	2017 $000
Underlying EBIT	74,962	85,000
Material items impacting operating profit	50	264
Operating profit	75,012	85,264

Nufarm

(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/debt establishment transaction costs and lease amortisation – finance charges as described in note 16 to the 31 January 2018 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, non-current trade receivables, and inventories less current trade and other payables.
- Average net working capital – net working capital measured at each month end as an average.