Nufarm

HALF YEAR REPORT 2014

Growing platform in key global markets helps diversify earnings and reduces risk.

KEY EVENTS

- **South American business continues to outperform**
- **Challenging conditions again impact Australia**
- **Management focus on working capital and net debt**

FACTS IN BRIEF

12 months ended 31 July 2013 $000	Trading results $000	Consolidated 6 months ended 31 Jan 2014	6 months ended 31 Jan 2013	Increase/ (decrease)	Percentage increase/ (decrease)
2,277,292	Revenue from ordinary activities	**1,138,211**	934,409	203,802	22
	Profit/(loss) after tax attributable to members				
83,223	– before material items	**18,801**	10,613	8,188	77
80,999	– after material items	**18,801**	8,389	10,412	124

Distribution to shareholders	Amount per security ¢	Franked amount per security ¢
Interim dividend paid for the period ended 31 January 2013	3.0	3.0
Final dividend paid for the period ended 31 July 2013	5.0	5.0
Interim dividend for the period ended 31 January 2014	3.0	3.0

Nufarm step-up securities distribution	Distribution rate %	Total amount $000	Payment date
Nufarm step-up securities distribution	6.95	8,749	15 Oct 2013
Nufarm step-up securities distribution	7.03	8,798	15 April 2013

31 July 2013	Other summary data	31 Jan 2014	31 Jan 2013
28%	Gearing ratio (net debt/net debt plus equity)	**38%**	33%
$3.04	Net tangible assets per ordinary share	**$2.90**	$2.79
3,458	Staff employed	**3,547**	3,459

The financial information in our half year report has been prepared in accordance with IFRS. Refer to page 7 for definitions of the non-IFRS measures used in the half year report. All references to the prior period are to the six months ended 31 January 2013 unless otherwise stated. Non-IFRS measures have not been subject to audit or review.

REPORT TO SHAREHOLDERS
SIX MONTHS ENDED 31 JANUARY 2014

Nufarm Limited generated a 20 per cent increase in underlying earnings before interest and tax (EBIT) of $56.7 million. This compares to $47.3 million in the previous half year period.

Group revenues increased by 22 per cent to $1.14 billion (2013 first half: $934 million). On a constant currency basis, revenues increased by 11 per cent.

The statutory net profit after tax (NPAT) was $18.8 million, compared to $8.4 million for the first six months of the previous financial year. There were no material items reported in the first half of 2014. The reported NPAT has benefited from a number of one-off, individually immaterial credits to tax expense. The company expects the current full year effective tax rate to be in the range of 29 per cent to 30 per cent.

Earnings per share were 4.7 cents, compared to 0.4 cents in the first half of 2013.

The 2014 half year result was driven by strong growth in South America – Brazil, in particular – which more than offset the impact of continuing drought conditions in Australia, and lower first half earnings from both North America and Europe.

Net debt at 31 January was $1.02 billion, compared to $743 million at the end of the previous first half period. Net working capital was also higher at $1.33 billion (31 January 2013: $1.03 billion).

Interim dividend

Directors declared a fully franked interim dividend of 3 cents per share (2013 interim dividend: 3 cents).

The interim dividend will be paid on 9 May 2014 to the holders of all fully paid shares in the company as at the close of business on 11 April 2014. There is no conduit foreign income attributed to the dividend.

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

Directors have determined that the issue price will be calculated on the volume weighted average price of the company's ordinary shares on the ASX over a period of 10 consecutive trading days commencing after the record date and concluding prior to the date of allotment of ordinary shares under the plan. The last election date for shareholders who are not yet participants in the DRP is 14 April 2014. The board has determined that, for this dividend payment, no discount will apply to shares issued under the DRP. Shares issued under the DRP will rank equally in all respects with existing ordinary shares.

Interest/tax/cash flow

Net external interest expense was $30 million, higher than in the previous period ($20.6 million). This reflected a higher level of average net debt through the period. The early refinancing of the company's syndicated bank facility resulted in debt establishment costs associated with that facility being written off.

Net foreign exchange losses relating to financing activities were materially lower than in the first half of the previous year ($3.5 million versus $9.2 million). However, since 31 January, significant currency weakness in a number of developing markets – where hedging is not possible – has resulted in a further unrealised foreign exchange loss of some $5 million. Future movements in those currencies will determine the extent to which any of this is reversed by year end.

Total financing costs were $40.8 million (2013 first half: $34 million).

The company's effective tax rate in the first half has benefited from a number of one-off, individually small credits to tax expense. The company expects the current full year effective tax rate to be in the range of 29 per cent to 30 per cent.

The business recorded a negative net operating cash flow of $296 million, compared to a cash outflow of $148.2 million in the previous period. This has been driven by a substantial increase in net working capital arising from the rapid growth of the business in the first half. The relatively long-dated receivables applying to the growing South American business and higher inventory levels, generally, have impacted operating cash flow in the first half. With second half collections in Brazil and shorter terms associated with key sales periods in other major markets, the business is expected to generate strong cash flows in the second six months of the year.

Business review

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

South America's largest market, Brazil, experienced average climatic conditions for most of the period and Nufarm generated very strong revenue and earnings growth. This contrasted with the performance of the Australian business which was again impacted by hot and dry seasonal conditions in the major summer cropping regions of Queensland and northern NSW.

Gross profit was 26.9 per cent of sales, in line with the first half of the previous year (27.0 per cent). Net expenses were down, as a proportion of sales (22.4 per cent versus 23.1 per cent), as were corporate (head office) costs.

Operating segments summary

The table below provides a summary of the performance of the operating segments for the first half of 2014 and the corresponding period of the previous year.

Australia/New Zealand

The Australian and New Zealand businesses generated $249 million in segment sales, up slightly on the $236 million recorded in the first half of 2013. This represented 23 per cent of total crop protection revenues in the first half period. Underlying EBIT was $8.9 million compared to $10.3 million in the prior period.

A relatively dry finish to the 2013 winter cropping season limited demand for post-emergent herbicides and fungicide applications in cereal crops. This was followed by a second consecutive year of extremely hot and dry conditions in the major summer cropping regions, with exceptionally low weed, insect and fungal disease pressure occurring in those regions.

High channel inventories and very low product demand generated additional pressure on margins. Lower volumes also negatively impacted overhead recoveries in the company's manufacturing plants.

On 18 March, the company announced a reorganisation of its Australian business. The reorganisation will result in a more flexible and responsive cost structure and an increased focus on new product development and customer service.

It follows an extensive review of the business and the identification of opportunities to improve returns while consolidating Nufarm's leadership position in the Australian market.

The new structure places a stronger focus on product innovation and portfolio development, as well as providing improved utilisation of manufacturing assets and efficiencies across logistics and supply chain areas that will see important benefits delivered to Nufarm customers.

Two Australian manufacturing facilities (Welshpool and Lytton) will be closed within the next two years; a number of regional service centres have been closed; and a significant streamlining of management resources has been implemented across most functions of the business.

The changes – to be fully implemented over a two-year period – are expected to result in annual cost savings of up to $13 million. One-off restructuring costs of up to $39 million will be booked in the current financial year-end statements, of which approximately $28 million will be a non-cash impact. Nufarm owns the properties proposed for closure and will seek to maximise sale proceeds after site closures.

The New Zealand business performed well in the first half period, with both sales and EBIT contribution slightly up on the previous year. The outcome of a review of New Zealand manufacturing operations is expected to be announced by the end of April.

Asia

Asian crop protection sales were $71 million, up 13 per cent on the first half of the previous year, and accounting for seven per cent of total crop protection revenues. Underlying EBIT was $9.3 million (2013 first half: $7.5 million).

A number of regional markets generated improved sales, including Indonesia where Nufarm has a very strong position. New offices established in South Korea and Vietnam also helped drive increased business in those markets.

	Revenue			Underlying EBIT		
6 months ended 31 January ($000)	**2014**	**2013**	**Change (%)**	**2014**	**2013**	**Change (%)**
Crop protection						
Australia and New Zealand	**248,983**	235,783	5.6	**8,951**	10,280	(12.9)
Asia	**71,225**	62,722	13.6	**9,253**	7,485	23.6
Europe	**170,420**	153,604	10.9	**1,496**	11,315	(86.8)
North America	**180,696**	170,265	6.1	**(6,853)**	(346)	n/a
South America	**412,834**	272,056	51.7	**60,032**	34,861	72.2
Total crop protection	**1,084,158**	894,430	21.2	**72,879**	63,595	14.6
Seed technologies – global	**54,053**	39,979	35.2	**3,287**	4,363	(24.7)
Corporate	**–**	–	n/a	**(19,440)**	(20,635)	5.8
Nufarm group	**1,138,211**	**934,409**	**21.8**	**56,726**	**47,323**	**19.9**

North America

North American crop protection sales increased by six per cent, when reported in Australian dollars, to $181 million. This represented 16 per cent of total crop protection revenues. On a local currency basis, sales were up strongly in Canada, but were down by some 12 per cent in the United States. Underlying EBIT was a loss of $6.9 million compared to a loss of $0.3 million in 2013.

A very severe winter in the United States resulted in lower demand for herbicide applications in the cropping segment and has also dampened demand for a number of products in the turf and specialty market. Cotton acreage was also down on the previous period, but is expected to lift again in the coming season. Volume sales of glyphosate were down, resulting in lower overhead recoveries in the Chicago manufacturing plant.

In Canada, Nufarm continued to build market presence and customer support, despite dry conditions in some areas impacting demand.

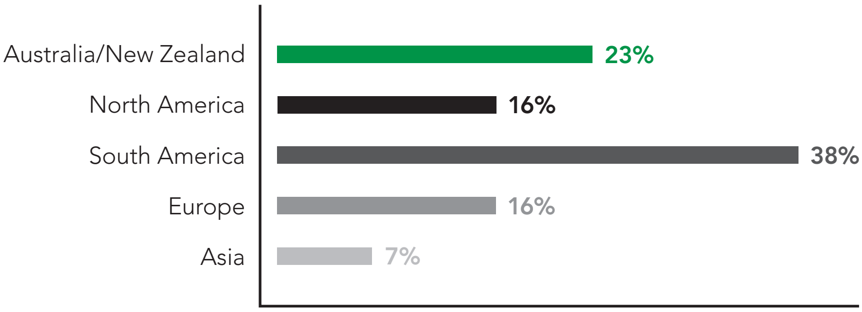
On 30 January, the company announced it had reached agreement with Valent U.S.A. Corporation, a subsidiary of Sumitomo Chemical Company Limited, to secure marketing and distribution rights to Valent branded products for the US turf, ornamental and aquatics market.

The arrangements covers Valent's portfolio of insecticides, fungicides, herbicides and plant growth regulators for professional golf course, lawn and landscape, production ornamental and aquatics markets.

The agreement came into effect on 16 February and reinforces Nufarm's position as a top three supplier in the higher margin US turf and ornamental industry.

Sales revenue by region

Crop protection segment



Total $1,084.2 million

South America

South American crop protection sales increased by 52 per cent to $413 million (2013 first half: $272 million) and accounted for 38 per cent of total first half crop protection revenues. Underlying EBIT was $60.0 million, a strong increase on the $34.9 million in the previous period.

Seasonal conditions in the major markets of Brazil and Argentina were largely average for most of the period, with some dry weather developing in some regions in January. Chile experienced severe frosts, which negatively impacted the important horticulture segment.

Nufarm Brazil sales were up by more than 66 per cent on a local currency basis. Significant drivers of the first half performance were higher than normal insect pressure in the large soybean crop, and strong sales of the company's differentiated glyphosate product, 'Crucial'. The expansion of Nufarm's Brazilian sales force enabled the company to achieve improved market penetration.

The business in Argentina also performed strongly, with sales up by 43 per cent on a local currency basis. Several new product launches supported the growth of the business.

Europe

European sales were up 11 per cent in Australian dollars ($170 million versus $154 million). Europe accounted for 16 per cent of crop protection sales for the group. In local currency, Spain and a number of the smaller European markets improved their first half sales performance, while the larger businesses in the United Kingdom, France and Germany were down on a local currency basis. Underlying EBIT was $1.5 million, well down on the $11.3 million generated in the first half of the prior year.

Climatic conditions were mixed, with some European markets experiencing relatively favourable weather, while others – in particular, the United Kingdom – had extremely wet winters which delayed or prevented applications of product.

The major contributor to a lower EBIT result at the half year was reduced activity and lower overhead recoveries in the European-based manufacturing units. This was especially the case when compared to the first half of the previous year, when production was at an unusually high level. Reduced manufacturing activity arose from a scheduled maintenance shut-down in the Austrian plant; lower export sales of phenoxy herbicides to the United States; and lower production output aimed at reducing inventory levels of finished product.

Major product segments

Crop protection

Nufarm's crop protection business generated an increase of 21 per cent in sales in the first half of the previous year and accounted for 95 per cent of group revenues ($1.08 billion versus $894 million). These revenues generated an average gross margin of 25.8 per cent (2013 first half: 26.3 per cent).

Herbicide sales were $711 million, 21 per cent up on the previous period. These sales generated an average gross margin of 25 per cent (2013 first half: 25 per cent) and represented 66 per cent of total crop protection sales.

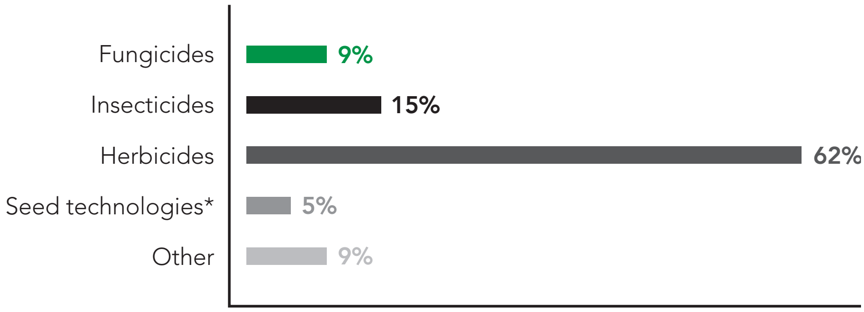
While hot and dry conditions in Australia limited demand for herbicides, sales in South America and in some North American segments were strong. Glyphosate sales volumes were similar to the first half period of the previous year, but raw material costs and selling prices were higher leading to a larger sales value. There was a slight improvement in glyphosate margins. Herbicide sales into the pasture segment in Brazil were higher, as were dicamba sales in the United States.

Insecticide sales were also strongly up on the first half of the previous year ($171 million versus $113 million) and were 16 per cent of total segment sales. These sales generated an average gross margin of 32 per cent, a slight improvement on the margin achieved in 2013.

Insect pressure in the South American soy crop was extremely high and Nufarm was well positioned to take advantage of the stronger demand.

First half fungicide sales were slightly lower at $100 million (2013 first half: $107 million) and generated a 27 per cent gross margin. These sales represented nine per cent of all crop protection sales, a lower proportion than in the previous half year.

Sales by product segment



Total $1,138.2 million

Other includes equipment, adjuvants, PGRs and industrial.
* Seed technologies includes seed plus seed treatment.

While fungicide sales in Europe were strong, lower disease pressure in both South America and Australia resulted in a lower level of sales from this product segment.

Seed technologies

The company's seed technologies segment includes sales of seeds and seed treatment chemistry. Segment sales in the first half were $54 million, an increase of 35 per cent on the previous period. Underlying EBIT was $3.3 million, compared to $4.4 million in the first half of 2013.

Seed technology sales generated an average margin of 49 per cent, lower than the 54 per cent recorded in 2013.

A change in supply and selling arrangements relating to Nuseed's servicing of the China confectionary sunflower segment has resulted in a reduced percentage margin as the company moved away from a royalty-based model. The new arrangements lower risk, with sales and profit continuing to grow as Nuseed consolidates its position in this important segment.

Early season hybrid canola sales in Australia were very strong, with Nuseed strengthening its market leadership in this segment. This contrasted with lower sales of sunflower and sorghum seeds due to drought impacts in Australia.

Seed treatment sales were also higher, supported by an expanded product portfolio and the growth of the custom blending business based in Chicago. This facility was commissioned in January of the previous year.

The company continued to make further investments in strengthening the seed technologies platform, with higher R&D and product development spending. Two innovation centres were opened, in Woodlands (US) and Horsham (Australia). A number of regional management appointments were made to support growth in the seed treatment segment, and a development and production unit was established at the company's Wyke facility in the United Kingdom.

Balance sheet management and financing

Net debt at the end of the first half was $1.02 billion (net debt at 31 January 2013: $743 million). Average net debt for the first half was $908 million, compared to $644 million in the first half of 2013. The elevated net debt reflected funding requirements for higher levels of working capital in the period.

Net working capital at 31 January was $1.33 billion. This is up on the $1.03 billion recorded at the end of the first half in 2013. Average net working capital to sales was also higher at 49.4 per cent (2013 first half: 43.4 per cent).

The higher working capital resulted from translation impacts; higher receivables associated with a growing business in Brazil; and larger inventory builds to support anticipated growth in second half sales in both North America and Europe.

A comprehensive program is underway to reduce working capital within the business. It is expected that average net working capital to sales will be lower at year end than at the same time in the previous year, and the company has a medium term target to reduce average net working capital to sales to below 40 per cent.

Gearing (net debt to net debt plus equity) was 38.3 per cent (2013 first half: 33.1 per cent).

In December 2013, the company finalised the refinancing of its syndicated banking facility, which provides funding for the company's working capital requirements and general corporate financing needs. The previous facility was due for renewal in November 2014, however the company took advantage of what it judged to be advantageous market conditions to renew the facility at an earlier time on more favourable terms.

The facility provides committed funding of up to $530 million, an increase on the $406 million limit under the previous arrangements. The majority of the new facility ($520 million) is for a term of three years, with the balance of $10 million for a one-year term. The company has achieved reduced pricing and additional flexibility in important terms to reflect the growth and seasonality of the business and its funding requirements.

All previous syndicate members (Rabobank, ANZ, Credit Suisse, Deutsche Bank, UBS, HSBC, Mizuho and Unicredit) renewed their commitments and Nufarm has added BBVA (a Spanish bank with significant operations in South America) and ICBC, of China, to the syndicate, reflecting the company's increased presence and operations in those regions.

Outlook

The major selling periods for Nufarm's crop protection businesses in Australia/New Zealand, North America and Europe – and for the seed technologies segment – occur in the second half of the financial year.

It is anticipated that business conditions in Australia will remain challenged. While much-needed rainfall would drive increased applications of product, channel inventories are estimated to be high and pricing pressure is expected to continue for the balance of the year.

North America has experienced a very severe winter and early second half demand patterns are below normal while the industry awaits the warmer spring conditions. Nufarm has a growing product portfolio in both the United States and Canada, is well placed to take advantage of opportunities, and is expecting a strong second half performance when the season gets underway.

In Europe, the company is also well placed to capitalise on second half opportunities, however a lower full year contribution from the manufacturing plants is expected to result in a segment EBIT result similar to the previous year.

The seed technologies segment is expected to generate additional growth in the second half, albeit with a continued increase in development expenditure to support longer term projects, including the Omega-3 program.

A key focus for the company in the period will be working capital management and the deployment of strong second half cash flows to pay down debt. It is expected that the net interest expense for the full year will be approximately $70 million, excluding the net foreign exchange impacts.

While some uncertainty remains in relation to likely seasonal conditions in several important markets, the company remains confident of generating improved profitability over the prior year.

Doug Rathbone AM
Managing director and chief executive

Melbourne
26 March 2014

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 $40.501 million for the six months ended 31 January 2014 and $35.461 million for the six months ended 31 January 2013. 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	2014 $000	2013 $000
Underlying EBIT	**56,726**	47,323
Material items impacting operating profit	–	(3,177)
Operating profit	**56,726**	44,146

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 standardised estimate of production costs excluding material items and non-product specific rebates and other pricing adjustments.
   - Net external interest expense – comprises interest income – external, interest expense – external and lease expense – finance charges as described in note 17 to the 31 January 2014 Nufarm Limited interim financial report.
   - Constant currency revenue – reconciled as per below – whereby '(a)' represents the impact from the fluctuation in exchange rates between all foreign currency denominated amounts and the Australian dollar. Constant currency results exclude any benefit or loss caused by foreign exchange fluctuations between foreign currencies and the Australian dollar, which would not have occurred if there had been a constant exchange rate.

Six months ended 31 January	$000
HY 2014 Revenue as reported	**1,138,211**
Foreign currency translation impact[a]	**(101,607)**
Revenues constant currency adjusted (2014 at 2013 rates)	**1,036,604**
HY 2013 Revenue as reported	**934,409**
Change %	**11%**

DIRECTORS' REPORT

The board of directors of Nufarm Limited has pleasure in submitting its report together with the condensed consolidated financial statements as at and for the six month period ended 31 January 2014 and the auditor's review report thereon.

Directors

The names of the directors in office during the period were:

Non-executive directors

DG McGauchie AO (Chairman)
AB Brennan
GR Davis
FA Ford
Dr WB Goodfellow
PM Margin
T Takasaki

Executive director

DJ Rathbone AM (Managing director)

All directors held their position as a director throughout the entire period and up to the date of this report.

Principal activities

Nufarm manufactures and supplies a range of agricultural chemicals used by farmers to protect crops from damage caused by weeds, pests and disease. The company has production and marketing operations throughout the world and sells products in more than 100 countries. Nufarm's crop protection products enjoy a reputation for high quality and reliability and are supported by strong brands, a commitment to innovation and a focus on close customer relationships. The company also operates a seeds business focused on canola, sorghum and sunflower seeds.

Nufarm employs in excess of 3,500 people at its various locations in Australia and New Zealand, Asia, the Americas, Europe and Africa. The company is listed on the Australian Stock Exchange (symbol NUF), and its head office is located at Laverton North in Melbourne.

Results

The net profit attributable to members of the group for the six months to 31 January 2014 is $18.801 million, after including the material items described in note 7. The comparable figure for the six months to 31 January 2013 was a net profit of $8.389 million.

Review of operations

The review of operations forms part of the report to shareholders.

Lead auditor's independence declaration under Section 307C of the *Corporations Act 2001*

The lead auditor's independence declaration is enclosed and forms part of the directors' report for the six months ended 31 January 2014.

Rounding of amounts

The parent entity is a company of the kind specified in Australian Securities and Investments Class Order 98/0100. In accordance with that class order, amounts in the consolidated financial statements and the directors' report have been rounded to the nearest thousand dollars unless specifically stated otherwise.

This report has been made in accordance with a resolution by directors.

DG McGauchie AO
Director

DJ Rathbone AM
Director

Melbourne
26 March 2014

LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

KPMG

To: the directors of Nufarm Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 January 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

BW Szentirmay
Partner

Melbourne
26 March 2014

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

CONDENSED CONSOLIDATED INCOME STATEMENT

SIX MONTHS ENDED 31 JANUARY 2014

	Note	Consolidated 31 Jan 2014 $000	Consolidated 31 Jan 2013 $000
Revenue	6	**1,138,211**	934,409
Cost of sales		**(832,434)**	(681,856)
Gross profit		**305,777**	252,553
Other income		**5,911**	11,383
Sales, marketing and distribution expenses		**(150,691)**	(124,298)
General and administrative expenses		**(79,387)**	(77,158)
Research and development expenses		**(25,118)**	(17,957)
Share of net profits/(losses) of associates	11	**234**	(377)
Operating profit		**56,726**	44,146
Financial income excluding foreign exchange gains/(losses)		**2,594**	3,177
Net foreign exchange gains/(losses)		**(3,537)**	(9,213)
Net financial income		**(943)**	(6,036)
Financial expenses		**(39,864)**	(28,002)
Net financing costs	17	**(40,807)**	(34,038)
Profit before tax		**15,919**	10,108
Income tax benefit/(expense)		**2,925**	(1,263)
Profit for the period		**18,844**	8,845
Attributable to:			
Equity holders of the parent	14	**18,801**	8,389
Non-controlling interest	14	**43**	456
Profit for the period		**18,844**	8,845
Earnings per share attributable to ordinary equity holders			
Basic earnings per share (cents)	14	**4.7**	0.4
Diluted earnings per share (cents)	14	**4.7**	0.4

The condensed consolidated income statement is to be read in conjunction with the attached notes.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
SIX MONTHS ENDED 31 JANUARY 2014

	Consolidated	
	31 Jan 2014 $000	31 Jan 2013 $000
Net profit/(loss) for the period	**18,844**	8,845
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation differences for foreign operations	**(1,909)**	47,310
Effective portion of changes in fair value of cash flow hedges	**(368)**	(4,918)
Effective portion of changes in fair value of net investment hedges	**(5,185)**	(3,480)
Items that will not be reclassified to profit or loss:		
Actuarial gains/(losses) on defined benefit plans	**(7,425)**	(1,572)
Income tax on share based payment transactions	**(38)**	80
Other comprehensive income/(loss) for the period, net of income tax	**(14,925)**	37,420
Total comprehensive income/(loss) for the period	**3,919**	46,265
Attributable to:		
Shareholders of the company	**3,876**	45,809
Non-controlling interest	**43**	456
Total comprehensive income/(loss) for the period	**3,919**	46,265

The condensed consolidated statement of comprehensive income is to be read in conjunction with the attached notes.

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 JANUARY 2014

	Note	Consolidated 31 Jan 2014 $000	31 July 2013 $000	31 Jan 2013 $000
Current assets				
Cash and cash equivalents	16	**217,053**	264,972	216,528
Trade and other receivables		**923,012**	758,534	808,831
Inventories		**921,147**	802,789	812,564
Current tax assets		**59,519**	33,866	60,786
Assets held for sale	15	**–**	–	–
Total current assets		**2,120,731**	1,860,161	1,898,709
Non-current assets				
Receivables		**37,253**	36,191	40,320
Equity accounted investments		**6,325**	6,197	4,134
Other investments		**449**	448	5,952
Deferred tax assets		**219,620**	200,219	170,757
Property, plant and equipment		**412,494**	402,698	384,226
Intangible assets		**886,655**	865,755	766,654
Other		**–**	–	–
Total non-current assets		**1,562,796**	1,511,508	1,372,043
TOTAL ASSETS		**3,683,527**	3,371,669	3,270,752
Current liabilities				
Bank overdraft	16	**–**	–	–
Trade and other payables		**512,256**	550,319	588,693
Loans and borrowings	16	**439,268**	316,365	254,014
Employee benefits		**18,943**	19,783	17,940
Current tax payable		**25,399**	16,677	13,895
Provisions		**3,055**	3,279	4,218
Total current liabilities		**998,921**	906,423	878,760
Non-current liabilities				
Payables		**47,055**	48,871	36,999
Loans and borrowings	16	**800,336**	581,720	705,099
Deferred tax liabilities		**125,877**	119,691	100,330
Employee benefits		**61,102**	50,219	48,676
Total non-current liabilities		**1,034,370**	800,501	891,104
TOTAL LIABILITIES		**2,033,291**	1,706,924	1,769,864
NET ASSETS		**1,650,236**	1,664,745	1,500,888
Equity				
Issued capital		**1,067,654**	1,063,992	1,063,355
Reserves		**(208,718)**	(198,670)	(302,502)
Retained earnings		**539,136**	547,302	488,210
Equity attributable to equity holders of the parent		**1,398,072**	1,412,624	1,249,063
Non-controlling interest:				
Nufarm step-up securities		**246,932**	246,932	246,932
Other		**5,232**	5,189	4,893
TOTAL EQUITY		**1,650,236**	1,664,745	1,500,888

The condensed consolidated balance sheet is to be read in conjunction with the attached notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
SIX MONTHS ENDED 31 JANUARY 2014

	Note	Consolidated 31 Jan 2014 $000	31 Jan 2013 $000
Cash flows from operating activities			
Cash receipts from customers		**1,015,683**	947,370
Cash paid to suppliers and employees		**(1,256,783)**	(1,028,167)
Cash generated from operations		**(241,100)**	(80,797)
Interest received		**2,594**	3,177
Dividends received		**215**	55
Interest paid		**(29,914)**	(17,716)
Income tax paid		**(27,854)**	(6,275)
Class action settlement		**–**	(46,677)
Net cash used in operating activities		**(296,059)**	(148,233)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**449**	135
Proceeds from sales of business and investments		**2,240**	1,818
Payments for plant and equipment		**(22,631)**	(22,908)
Purchase of businesses, net of cash acquired	10	**–**	(23,422)
Payments for acquired intangibles and major product development expenditure		**(31,478)**	(22,583)
Net investing cash flows		**(51,420)**	(66,960)
Cash flows from financing activities			
Proceeds from borrowings		**599,632**	851,372
Repayment of borrowings		**(275,653)**	(585,564)
Debt establishment transaction costs		**(4,719)**	(13,952)
Distribution to Nufarm step-up securities holders		**(8,749)**	(10,146)
Dividends paid	14	**(11,676)**	(7,479)
Net financing cash flows		**298,835**	234,231
Net increase/(decrease) in cash and cash equivalents		**(48,644)**	19,038
Cash and cash equivalents at the beginning of the period		**264,972**	191,317
Exchange rate fluctuations on foreign cash balances		**725**	6,173
Cash and cash equivalents at the end of the period	16	**217,053**	216,528

The condensed consolidated statement of cash flows is to be read in conjunction with the attached notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 31 JANUARY 2014

	Share capital $000	Translation reserve $000	Attributable to equity Other reserves $000
Balance at 1 August 2012	1,059,522	(363,410)	2,868
Profit/(loss) after taxation	–	–	–
Other comprehensive income:			
Actuarial gains/(losses) on defined benefit plans	–	–	–
Foreign exchange translation differences for foreign operations	–	47,310	–
Gains/(losses) on cash flow hedges taken to equity	–	–	(4,918)
Gains/(losses) on net investment hedges taken to equity	–	–	(3,480)
Income tax on share-based payment transactions	–	–	80
Total comprehensive income/(loss) for the period	–	47,310	(8,318)
Transactions with owners, recorded directly in equity:			
Accrued employee share award entitlement	–	–	2,047
Issuance of shares under employee share plans	3,495	–	(3,495)
Acquisition of non-controlling interests	–	–	(13,131)
Dividends paid to shareholders	–	–	–
Dividend reinvestment plan	338	–	–
Distributions to Nufarm step-up security holders	–	–	–
Balance at 31 January 2013	1,063,355	(316,100)	(20,029)
Balance at 1 August 2013	**1,063,992**	**(196,643)**	**(35,654)**
Profit/(loss) after taxation	**–**	**–**	**–**
Other comprehensive income:			
Actuarial gains/(losses) on defined benefit plans	**–**	**–**	**–**
Foreign exchange translation differences for foreign operations	**–**	**(1,909)**	**–**
Gains/(losses) on cash flow hedges taken to equity	**–**	**–**	**(368)**
Gains/(losses) on net investment hedges taken to equity	**–**	**–**	**(5,185)**
Income tax on share-based payment transactions	**–**	**–**	**(38)**
Total comprehensive income/(loss) for the period	**–**	**(1,909)**	**(5,591)**
Transactions with owners, recorded directly in equity:			
Accrued employee share award entitlement	**–**	**–**	**881**
Issuance of shares under employee share plans	**2,172**	**–**	**(2,172)**
Remeasurement of non-controlling interest option	**–**	**–**	**(1,257)**
Dividends paid to shareholders	**–**	**–**	**–**
Dividend reinvestment plan	**1,490**	**–**	**–**
Distributions to Nufarm step-up security holders	**–**	**–**	**–**
Balance at 31 January 2014	**1,067,654**	**(198,552)**	**(43,793)**

The condensed consolidated statement of changes in equity is to be read in conjunction with the attached notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED
SIX MONTHS ENDED 31 JANUARY 2014

holders of the company			Non-controlling interest		
Capital profit reserve $000	Retained earnings $000	Total $000	Nufarm step-up securities $000	Other $000	Total equity $000
33,627	496,663	1,229,270	246,932	600	1,476,802
–	8,389	8,389	–	456	8,845
–	(1,572)	(1,572)	–	–	(1,572)
–	–	47,310	–	–	47,310
–	–	(4,918)	–	–	(4,918)
–	–	(3,480)	–	–	(3,480)
–	–	80	–	–	80
–	6,817	45,809	–	456	46,265
–	–	2,047	–	–	2,047
–	–	–	–	–	–
–	–	(13,131)	–	3,837	(9,294)
–	(7,817)	(7,817)	–	–	(7,817)
–	–	338	–	–	338
–	(7,453)	(7,453)	–	–	(7,453)
33,627	488,210	1,249,063	246,932	4,893	1,500,888
33,627	**547,302**	**1,412,624**	**246,932**	**5,189**	**1,664,745**
–	**18,801**	**18,801**	**–**	**43**	**18,844**
–	**(7,425)**	**(7,425)**	**–**	**–**	**(7,425)**
–	**–**	**(1,909)**	**–**	**–**	**(1,909)**
–	**–**	**(368)**	**–**	**–**	**(368)**
–	**–**	**(5,185)**	**–**	**–**	**(5,185)**
–	**–**	**(38)**	**–**	**–**	**(38)**
–	**11,376**	**3,876**	**–**	**43**	**3,919**
–	**–**	**881**	**–**	**–**	**881**
–	**–**	**–**	**–**	**–**	**–**
–	**–**	**(1,257)**	**–**	**–**	**(1,257)**
–	**(13,166)**	**(13,166)**	**–**	**–**	**(13,166)**
–	**–**	**1,490**	**–**	**–**	**1,490**
–	**(6,376)**	**(6,376)**	**–**	**–**	**(6,376)**
33,627	**539,136**	**1,398,072**	**246,932**	**5,232**	**1,650,236**

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

1. Reporting entity

Nufarm Limited (the 'company') is domiciled in Australia. The condensed consolidated interim financial statements of the company as at and for the six months ended 31 January 2014 comprises the company and its subsidiaries (together referred to as the 'group') and the group's interest in associates and jointly controlled entities.

The consolidated annual financial statements of the group as at and for the year ended 31 July 2013 are available upon request from the company's registered office at 103–105 Pipe Road, Laverton North, Victoria, Australia or at www.nufarm.com

2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with AASB 134: *Interim Financial Reporting*, the *Corporations Act 2001* and IAS 34: *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the group as at and for the year ended 31 July 2013.

These condensed consolidated interim financial statements were approved by the board of directors on 26 March 2014.

3. Accounting policies

(a) Significant accounting policies

Except as described below, the accounting policies applied by the group in these condensed consolidated interim financial statements are the same as those applied by the group in its consolidated financial statements, as at and for the year ended 31 July 2013.

The company has changed some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2013. The affected policies and standards are:

- Principles of consolidation: new standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*; and
- Accounting for employee benefits: revised AASB 119 *Employee Benefits*.

Other new standards that are applicable for the first time for the January 2014 half year report are AASB 13 *Fair Value Measurement*, AASB 2012–2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012–5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle*. These standards have introduced new disclosures for the interim report but did not materially affect the entity's accounting policies or any of the amounts recognised in the financial statements.

(i) Principles of consolidation – subsidiaries and joint arrangements

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities*. Under the new principles, the group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The group has assessed the nature of its joint arrangements and determined to have joint ventures only.

The accounting for the group's joint ventures has not changed as a result of the adoption of AASB 11. The group continues to use the equity method to account for its interest in joint ventures. Under this method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

3. Accounting policies (continued)

(ii) Employee benefits

The adoption of the revised AASB 119 *Employee Benefits* resulted in two changes to the group's accounting policy:

- All past service costs are now recognised immediately in profit or loss. Previously, past service costs were recognised on a straight-line basis over the vesting period if the changes were conditional on the employees remaining in service for a specified period of time (the vesting period). The impact of this change was immaterial.
- The group now determines the net interest expense (income) for the period on the net defined benefit liability (asset) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Previously, the group determined interest income on plan assets based on their long term rate of expected return. The impact on the income statement is immaterial, the net impact on total comprehensive income is nil and there is also no adjustment to the amounts recognised in the balance sheet from this change.

Further to the above, as the entity does not expect all leave to be taken within 12 months of the respective service being provided, the revised standard aligns with the group's policy whereby such leave obligations are classified as long term employee benefits in their entirety and the obligation is measured on a discounted basis.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these interim financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the group, except for AASB 9 *Financial Instruments*, which becomes mandatory for the group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The group does not currently plan to adopt this standard early, and the extent of the impact has not been determined.

(b) Reclassification

Comparatives have been adjusted to present them on the same basis as current period figures.

4. Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 July 2013.

5. Financial risk management

The group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 July 2013.

During the period the group entered into a number of derivative contracts to manage its exposure to foreign currency and interest rate risk. A selection of these derivative contracts were designated and accounted for as net investment, cash flow and fair value hedges as at and for the six months ended 31 January 2014.

The movement in the foreign currency translation reserve relates to the translation differences from converting the net assets of overseas subsidiaries from their functional currencies to the presentation currency of the group, which is Australian dollars.

6. Segment reporting

Segment information is presented in respect of the group's key operating segments. The operating segments are based on the group's management and internal reporting structure.

Operating segments

The group operates predominantly along two business lines, being crop protection and seed technologies.

The crop protection business deals in the manufacture and sale of crop protection products used by farmers to protect crops from damage caused by weeds, pests and disease. It is managed by major geographic segments, being Australia and New Zealand, Asia, Europe, North America and South America. The North America region includes Canada, United States, Mexico and the Central American countries. The South America region includes Brazil, Argentina, Chile, Uruguay, Paraguay, Bolivia, Colombia and the Andean countries.

The seed technologies business deals in the sale of seeds and seed treatment products. The seed technologies business is managed on a worldwide basis.

Information regarding the results of each operating segment is included below. Performance is measured based on underlying EBIT as included in the internal management reports that are reviewed by the group's chief executive officer. Underlying EBIT is used to measure performance as management believes that such information is the most relevant in evaluating the results of each segment. Segment revenue is based on the geographic location of customers. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The corporate segment comprises mainly corporate expenses, interest-bearing loans, borrowings and corporate assets.

	Crop protection						Seed technologies	Corporate	Group
Operating segments 2014	Australia and New Zealand $000	Asia $000	Europe $000	North America $000	South America $000	Total $000	Global $000	$000	Total $000
Revenue									
Total segment revenue	248,983	71,225	170,420	180,696	412,834	1,084,158	54,053	–	1,138,211
Results									
Underlying EBITDA [(a)]	19,082	10,700	17,747	956	62,009	110,494	5,688	(18,955)	97,227
Depreciation and amortisation excluding material items	(10,131)	(1,447)	(16,251)	(7,809)	(1,977)	(37,615)	(2,401)	(485)	(40,501)
Underlying EBIT [(a)]	8,951	9,253	1,496	(6,853)	60,032	72,879	3,287	(19,440)	56,726

Material items included in operating profit (refer note 7)	–
Material items included in net financing costs (refer note 7)	–
Net financing costs (excluding material items)	(40,807)
Profit/(loss) before tax	15,919

6. Segment reporting (continued)

	Crop protection						Seed technologies	Corporate	Group
Operating segments 2013	Australia and New Zealand $000	Asia $000	Europe $000	North America $000	South America $000	Total $000	Global $000	$000	Total $000
Revenue									
Total segment revenue	235,783	62,722	153,604	170,265	272,056	894,430	39,979	–	934,409
Results									
Underlying EBITDA [(a)]	20,915	9,786	24,266	5,787	36,274	97,028	5,900	(20,144)	82,784
Depreciation and amortisation excluding material items	(10,635)	(2,301)	(12,951)	(6,133)	(1,413)	(33,433)	(1,537)	(491)	(35,461)
Underlying EBIT [(a)]	10,280	7,485	11,315	(346)	34,861	63,595	4,363	(20,635)	47,323

Material items included in operating profit (refer note 7)	(3,177)
Material items included in net financing costs (refer note 7)	–
Net financing costs (excluding material items)	(34,038)
Profit/(loss) before tax	10,108

(a) Underlying EBIT is earnings before net finance costs, taxation and material items. Underlying EBITDA is underlying EBIT, before depreciation, amortisation and impairments.

	Revenue by location of customer	
Geographical information	2014 $000	2013 $000
Australia	**211,500**	202,200
New Zealand	**43,651**	37,951
Asia	**71,225**	69,373
Europe	**176,608**	162,417
United States	**178,741**	168,059
Rest of North America	**29,482**	13,288
Brazil	**351,732**	215,245
Rest of South America	**75,272**	65,876
Total	**1,138,211**	934,409

7. Items of material income and expense

Material items are those items where their nature and/or amount is considered material to the financial statements. Such items included within the group's profit for the half year are detailed below.

	Consolidated		Consolidated	
	2014 $000 pre-tax	2014 $000 after-tax	2013 $000 pre-tax	2013 $000 after-tax
Material items by category:				
Class action settlement	–	–	(3,177)	(2,224)
	–	–	(3,177)	(2,224)

7. Items of material income and expense (continued)

Class action settlement

No class action settlement costs were incurred during the half year ended 31 January 2014. During the 2013 half year, the Federal Court gave final approval to the settlement of the class action brought against the company in early 2011. The settlement agreement was amended to cover an expanded number of claims, with Nufarm agreeing to pay a total of $46.6 million (previously $43.5 million). Consistent with previous treatment, the additional settlement amount and related costs were reported as a material item.

Material items are classified by function as follows:

Six months ended 31 January 2014 $000	Cost of sales	Selling, marketing and distribution expense	General and administrative expense	Net financing costs	Total pre-tax
None	–	–	–	–	–
	–	–	–	–	–
Total material items included in operating profit	–	–	–	–	–

Six months ended 31 January 2013 $000	Cost of sales	Selling, marketing and distribution expense	General and administrative expense	Net financing costs	Total pre-tax
Class action	–	–	(3,177)	–	(3,177)
	–	–	(3,177)	–	(3,177)
Total material items included in operating profit	–	–	(3,177)	–	(3,177)

8. Seasonality of operations

The profitability and cash flow of the business remains seasonal with a strong weighting towards the second half. This reflects the key selling period for the crop protection business, particularly in Australia, Europe and North America.

9. Other expenses

The following expenses were included in the operating result:

	Consolidated	
	31 Jan 2014 $000	31 Jan 2013 $000
Depreciation and amortisation	**(40,501)**	(35,461)

10. Acquisition of businesses

Business acquisitions – 2014

No business acquisitions arose in the six months ended 31 January 2014.

Business acquisitions – 2013

On 1 January 2013, the group purchased the turf and ornamental business of US-based Cleary Chemical Corporation for US$10 million plus working capital adjustments of US$2.5 million. The acquisition has provided a wider product offering for the group and is expected to complement and result in synergies with the existing turf and ornamental business in the region.

On 23 January 2013, the group acquired 51 per cent of the equity in Atlantica Sementes Ltda., a Brazilian business specialising in sorghum and sunflower seeds. The 51 per cent stake, purchased at a cost of 25 million Brazilian reais, will allow Nuseed to supply a number of existing Nuseed hybrids through the Atlantica distribution network and leverage other development programs in Australia, Argentina and the United States. The acquisition has been made to expand the seeds business in South America and is expected to complement the existing seeds business and grow market share.

10. Acquisition of businesses (continued)

Acquiree's net assets at acquisition date	Fair value on acquisition 31 Jan 2014 $000	Fair value on acquisition 31 Jan 2013 $000
Cash and cash equivalents	–	643
Receivables	–	8,446
Inventory	–	5,226
Property, plant and equipment	–	451
Deferred tax asset	–	–
Pre-acquisition intangible assets	–	21
Other assets	–	50
Trade and other payables	–	(3,452)
Interest-bearing loans and borrowings	–	–
Deferred tax liability	–	(2,689)
Other liabilities	–	(275)
Net identifiable assets and liabilities	–	8,421
Intangibles acquired on acquisition	–	8,420
Non-controlling interest	–	(3,837)
Goodwill on acquisition	–	11,061
Consideration paid	–	24,065
Cash acquired	–	(643)
Net cash outflow	–	23,422

Total goodwill of $nil (2013: $11,061,000) from business acquisitions is attributable mainly to the synergies expected to be achieved from integrating the respective businesses into the group's existing business.

11. Equity accounted investments

The group has the following equity accounted investments:

		Ownership and voting interest		Share of after-tax profit/(loss)	
	Country	31 Jan 2014 %	31 Jan 2013 %	31 Jan 2014 $000	31 Jan 2013 $000
Excel Crop Care Ltd	India	14.69	14.69	601	207
F&N joint ventures	East Europe	50	50	(17)	(548)
Lotus Agrar joint venture	Germany	50	0	(331)	–
Other				(19)	(36)
Share of after-tax profits/(losses) of equity accounted investments				234	(377)

Nufarm's investment in Excel Crop Care Ltd is equity accounted due to Nufarm holding 14.69 per cent of voting rights in Excel Crop Care Ltd, the transactions undertaken between the parties and Nufarm's ability to appoint two directors to the board. The relationship extends to manufacturing and marketing collaborations and the sale/purchase of crop protection products.

The F&N joint ventures represents the group's interest in three joint ventures with FMC Corporation, which operate in Poland, Czech Republic and Slovakia. The joint ventures sell Nufarm and FMC products within their country.

Lotus Agrar is a joint venture with Verwaltungsgesellschaft Hermann Stroetmann GmbH & Co. KG. This joint venture sells generic agrochemicals in Germany.

12. Property plant and equipment

Acquisition and disposals

During the six months ended 31 January 2014, the group acquired assets with a cost of $22.631 million (six months ended 31 January 2013: $23.359 million). No assets were acquired through business combinations in the six months to 31 January 2014 (six months ended 31 January 2013: $0.451 million). Assets with a book value of $0.338 million were disposed of during the six months ended 31 January 2014 (six months ended 31 January 2013: $0.200 million). There were no assets disposed of through the sale of discontinued operations in the six month period to 31 January 2014 or in the comparative period for 2013.

Capital commitments

During the six months ended 31 January 2014, the group entered into contracts to purchase property, plant and equipment for $3.459 million (six months ended 31 January 2013: $10.477 million).

13. Contingent assets and liabilities

The company's 2013 annual financial report previously disclosed a contingent liability of $74.6 million in respect of potential pre-acquisition tax liabilities of its Brazilian business, which was acquired in 2007. The company continued to defend the related tax claims during the period. The agreements relating to the purchase of the business included indemnities which allow Nufarm to recover the majority of any such tax liabilities from the previous owners. These indemnities have been confirmed via an independent arbitration process.

During December 2013, the company elected to participate in a federal tax program instigated by the Brazilian Government that allows taxpayers to reduce their tax liabilities by offering discounts on claims (including penalties and interest) applying to a period ending on 30 November 2008. The decision to participate in the program reduced the company's potential future liability and provided a final resolution of the claims to which the program applied.

Entering into the program has given rise to a tax liability which will result in a cash outflow of approximately $300,000 per month for five years commencing January 2014 and the utilisation of tax losses. As previously disclosed, cash inflows from the previous owner, via enforcement of the indemnities currently under arbitration, will follow the settlement of the tax obligations.

The recognition of the liability has been offset by the benefit of previously unrecognised tax assets. The tax assets will be recovered via a combination of recoupment in the normal course of business and enforcement of the indemnities provided by the previous owner.

As a consequence of entering the program, the total contingent liability relating to future potential tax liabilities has reduced to $12.140 million which relate to claims not covered by the program, some of which may also be covered by the indemnities. These cases will continue to be defended.

Further to the above, the group has a contingent asset in respect of potential pre-acquisition tax credits of its Brazilian business acquired in 2007. Whilst the credits are deemed to be valid, the Brazilian courts are currently deliberating the value of the credits and therefore the full amount of this contingent asset is yet to be established. Such credits can be used to offset future federal tax payable.

14. Capital and reserves

	31 Jan 2014 $000	31 Jan 2013 $000
Dividends		
Dividends paid during the period:		
There was a 5 cents per share (2013: 3 cents per share) prior year final dividend declared and paid by the group during the six months ended 31 January 2014.	**(13,166)**	(7,817)

14. Capital and reserves (continued)

	31 Jan 2014 $000	31 Jan 2013 $000
Dividends declared in respect of the period:		

Subsequent to the half year end on 26 March 2014, the company declared an interim dividend of 3 cents per share ($7.912 million) which will be paid on 9 May 2014 (31 January 2013: 3 cents per share). In accordance with Australian Accounting Standards, dividends declared post balance date are not recorded as a liability at the end of the period to which they relate.

Distributions on the Nufarm step-up securities

The following distributions were paid by Nufarm Finance (NZ) Ltd:

	31 Jan 2014 $000	31 Jan 2013 $000
Nufarm step-up securities distribution rate 6.95 per cent (2013: 8.11 per cent)	**8,749**	10,146

The distribution on the Nufarm step-up securities reported in the statement of changes in equity has been reduced by the tax benefit on the distribution, giving an after-tax amount of $6.376 million (six months ended 31 January 2013: $7.453 million).

Earnings/(loss) per share

	31 Jan 2014 $000	31 Jan 2013 $000
Net profit/(loss) for the six months ended 31 January	**18,844**	8,845
Net (profit)/loss attributable to non-controlling interests	**(43)**	(456)
Net profit/(loss) attributable to equity holders of the parent	**18,801**	8,389
Nufarm step-up securities distribution (net of tax)	**(6,376)**	(7,453)
Earnings/(loss) used in the calculations of basic and diluted earnings per share	**12,425**	936
Earnings/(loss) from continuing operations	**12,425**	936
(Add)/subtract after-tax impact of material items profit/(loss) (refer note 7)	**–**	(2,224)
Earnings/(loss) excluding material items used in the calculation of underlying earnings per share	**12,425**	3,160

	Number of shares 31 Jan 2014	Number of shares 31 Jan 2013
Weighted average number of ordinary shares used in calculation of basic earnings per share	**263,317,974**	262,485,880
Weighted average number of ordinary shares used in calculation of diluted earnings per share	**264,621,997**	263,291,162

Earnings/(loss) per share	Cents per share 31 Jan 2014	Cents per share 31 Jan 2013
Basic earnings/(loss) per share – from continuing operations	**4.7**	0.4
Diluted earnings/(loss) per share – from continuing operations	**4.7**	0.4
Basic earnings per share – excluding items of material income and expense from note 7	**4.7**	1.2
Diluted earnings per share – excluding items of material income and expense from note 7	**4.7**	1.2

15. Assets held for sale

There were no assets held for sale in the current period or in 2013.

16. Net debt

	31 Jan 2014 $000	31 Jan 2013 $000
Current		
Bank loans – secured	**278,949**	179,725
Bank loans – unsecured	**164,683**	82,056
Deferred debt establishment costs	**(5,106)**	(8,304)
Finance lease liabilities – secured	**365**	308
Other loans – unsecured	**377**	229
Loans and borrowings – current	**439,268**	254,014
Non-current		
Bank loans – secured	**396,590**	396,786
Bank loans – unsecured	**41,113**	5,287
Senior unsecured notes	**361,436**	306,529
Deferred debt establishment costs	**(13,389)**	(15,459)
Finance lease liabilities – secured	**12,982**	10,749
Other loans – unsecured	**1,604**	1,207
Loans and borrowings – non-current	**800,336**	705,099
Cash and cash equivalents	**(217,053)**	(216,528)
Bank overdraft	**–**	–
Net cash and cash equivalents	**(217,053)**	(216,528)
Net debt	**1,022,551**	742,585

	Accessible $000	Utilised $000
31 January 2014		
Bank loan facilities and senior unsecured notes	**1,494,941**	1,242,771
Other facilities	**1,981**	1,981
Total financing facilities	**1,496,922**	1,244,752
31 January 2013		
Bank loan facilities and senior unsecured notes	**1,209,799**	970,383
Other facilities	**1,436**	1,436
Total financing facilities	**1,211,235**	971,819

Key group facilities include a $300 million trade receivables securitisation facility, a US$325 million senior unsecured notes offering due in October 2019, and a senior secured syndicated bank facility of $530 million, of which $520 million is due in December 2016 and $10 million is due in December 2014. On 19 December 2013, the refinancing of the syndicated bank facility was completed with the facility increasing from $406 million to $530 million.

The majority of debt facilities that reside outside the senior unsecured notes, syndicated bank facility and the trade receivables securitisation facility are regional working capital facilities, primarily located in Brazil and Europe totalling $474 million (2013: $247 million).

17. Finance income and expense

	31 Jan 2014 $000	31 Jan 2013 $000
Net foreign exchange gains/(losses)	**(3,537)**	(9,213)
Financial income excluding foreign exchange gains/(losses)	**2,594**	3,177
Net financial income	**(943)**	(6,036)
Interest expense – external	**(31,651)**	(23,097)
Interest expense – debt establishment transaction costs	**(7,334)**	(4,177)
Lease expense – finance charges	**(879)**	(728)
Financial expenses	**(39,864)**	(28,002)
Net financing costs	**(40,807)**	(34,038)

18. Financial instruments

The fair values of financial assets and financial liabilities, together with the carrying amounts in the condensed consolidated balance sheet, are as follows:

Consolidated 31 January 2014	Carrying value $000	Fair value $000
Cash and cash equivalents	**217,053**	**217,053**
Trade and other receivables	**958,226**	**958,226**
Derivative financial instruments		
Assets	**2,039**	**2,039**
Liabilities	**(28,754)**	**(28,754)**
Trade and other payables	**(530,557)**	**(530,557)**
Bank overdraft	**–**	**–**
Secured bank loans	**(675,539)**	**(675,539)**
Unsecured bank loans	**(205,796)**	**(205,796)**
Senior unsecured notes	**(361,436)**	**(362,872)**
Other loans	**(1,981)**	**(1,981)**
Finance leases	**(13,347)**	**(13,347)**
	(640,092)	**(641,528)**

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

18. Financial instruments (continued)

	Consolidated			
2014	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Derivative financial assets	–	2,039	–	2,039
	–	2,039	–	2,039
Derivative financial liabilities	–	(28,754)	–	(28,754)
	–	(28,754)	–	(28,754)

There have been no transfers between levels in either 2014 or 2013.

Valuation techniques used to derive fair values

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

19. Subsequent events

On 18 March, the company announced a reorganisation of its Australian business. Two Australian manufacturing facilities (Welshpool and Lytton) will be closed within the next two years; a number of regional service centres have been closed; and a significant streamlining of management resources has been implemented across most functions of the business.

The changes – to be fully implemented over a two-year period – are expected to result in annual cost savings as outlined in the company announcement. One-off restructuring costs of up to $39 million will be booked in the current financial year-end statements, of which approximately $28 million will be a non-cash impact. Nufarm owns the properties proposed for closure and will seek to maximise sale proceeds after site closures.

DIRECTORS' DECLARATION

In the opinion of the directors of Nufarm Limited (the company):

1. the financial statements and notes set out in this report are in accordance with the *Corporations Act 2001* including:
   (a) giving a true and fair view of the group's financial position as at 31 January 2014 and of its performance for the six-month period ended on that date; and
   (b) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and IAS 34: *Interim Financial Reporting*.
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

DG McGauchie AO
Director

DJ Rathbone AM
Director

Melbourne
26 March 2014

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF NUFARM LIMITED

KPMG

Report on the financial report

We have reviewed the accompanying half-year financial report of Nufarm Limited (the 'Group'), which comprises the condensed consolidated balance sheet as at 31 January 2014, the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 January 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Nufarm Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Nufarm Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 January 2014 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

BW Szentirmay
Partner

Melbourne
26 March 2014

DIRECTORY

Directors

DG McGauchie AO – Chairman
DJ Rathbone AM – Managing director
AB Brennan
GR Davis
FA Ford
Dr WB Goodfellow
PM Margin
T Takasaki

Company secretary

R Heath

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Auditors

KPMG
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Nufarm

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