



syngenta

Sales trading statement
Third quarter 2012
TRANSCRIPT

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Corporate participants

Jennifer Gough

Syngenta - Investor Relations

Mike Mack

Syngenta – Chief Executive Officer

John Ramsay

Syngenta – Chief Financial Officer

Presentation

Operator

Thank you for standing by and welcome to the Third Quarter 2012 Trading Statement. At this time all participants are on a listen-only mode. There will be a presentation followed by a Question & Answer session, at which time if you wish to ask a question you will need to press *1 on your telephone keypad. I must advise you that the conference is being recorded today, Tuesday 23rd October 2012. I would now like to hand the conference over to your first speaker today, Jennifer Gough. Please go ahead.

Jennifer Gough

Good morning and welcome to the call. The call will be hosted by Mike Mack, CEO, and John Ramsay, CFO. Slides to accompany the presentation are available on our website, Syngenta.com. Our Cautionary Statement is at the beginning of the presentation; this presentation contains forward-looking statements which may be subject to risks and uncertainties that cause actual results to differ from these statements. We refer you to Syngenta's publically available filings with the US SEC for information about these and other risks. With that, I would like to hand the call over to Mike, who will start the presentation on slide number three.

Mike Mack

Thank you, Jennifer. Good morning, ladies and gentlemen. Let me start by first setting the context for this third quarter announcement. The commodity prices, although they've come off peaks reached in August, remain at historically high levels. This reflects tightness in grain supply resulting in global stocks to use ratio of around 19%, which is its lowest level now for five years.

Farm profitability therefore remains high and this despite the weather shocks that lie behind the contraction of supply. In Latin America where the season started to get underway in September, growers are looking to reap the benefits of high soybean prices and our third quarter sales growth of 18% is indicative of their strong willingness now to invest.

In the northern hemisphere the third quarter is the low season before the first winter crop plantings take place towards the end of the year. Sales, although lower in North America, were up slightly in Europe with both regions showing an excellent performance year to date.

As we reported at the first half, commercial integration is now complete in all 19 territories. Across the world we're seeing evidence that our integrated strategy is gathering momentum as we increasingly move toward a crop-based approach that leverages our technology strengths. Let me now cover in more detail the developments by region, starting with North America in the top left-hand corner of slide four.

The drought in the US this summer has turned out to be the worst in 50 years and has resulted in large-scale crop destruction. This inevitably had some effect on crop protection applications in the quarter and, as I just mentioned, the impact on grain inventories has been considerable. The impact on grower incomes though has been limited, thanks to crop insurance and to the strength of commodity prices. Drought has however not been the only agronomic challenge facing growers. Mounting evidence of insect resistance has favoured our integrated management portfolio where we've seen strong growth in seed care.

In Europe, Africa and the Middle East sales were up 2% despite the shift earlier in the year to spring crops, which are less intensive in terms of crop protection usage. A key driver was the acceleration of our hybrid barley offer in Northern Europe and I'll be coming back to this later in the presentation. In addition sales in the CIS were up by almost 20% as the drive toward the modernisation of farming continues.

Sales performance in Asia Pacific improved in the quarter, despite a variable monsoon affecting crop protection volumes in South Asia. Our integrated corn portfolio in Southeast Asia was a key driver and we saw strong growth in seed care across the region.

Finally, Latin America where high soybean prices are expected to lead to an 8% increase in acreage, grower focus on second season corn is expected to continue and our technology is playing a key role as sugarcane growers increased their level of investments in the crop.

Let me now hand you over to John Ramsay who will take you through the numbers in a bit more detail. John.

John Ramsay

Well, thank you, Mike, and good morning. Please turn to slide five for a summary of sales for the third quarter and for the first nine months.

Sales in the third quarter were 6% higher at constant exchange rates and reported sales were 1% higher with a negative currency impact of 5%. Impact of this on earnings, however, is minimal and we continue to track within the currency guidance that I gave at the half year

and I would expect the impact of exchange rates on the top line in the fourth quarter to be significantly lower.

Integrated sales, excluding lawn and garden, were 7% higher, with volume up 5% and price up 2%.

Nine-month sales were 9% higher and reached a record \$11 billion. Reported sales were up 6% with a negative currency impact of 3% and integrated sales were 10% higher with volume up 6% and price up 4%.

Please turn now to slide six.

We've seen significant acquisition activity over the last three months and Mike will describe this in more detail. But let me assure you that this is in line with our strategy and can be easily accommodated within our balance sheet framework.

We have for some years had a policy of maintaining a strong balance sheet to retain flexibility for acquisitions. The acquisitions announced represent a total of around \$750 million which will easily be financed from free cashflow estimated at around \$1 billion. Assuming that all the acquisitions are financed this year, I expect year-end gearing to be 25% or slightly lower. And just to be clear, I can reiterate our commitment to a progressive dividend policy. We will also undertake tactical share buybacks when appropriate. This year's planned share buyback was on hold in the third quarter due to Devgen acquisition and may therefore be only partially completed.

Turning now to Latin America, the main driver of our business in the second half.

Slide seven shows the progression of our nine-month sales in the last five years. Over this period we have steadily increased our market share in crop protection to 23% at the end of last season. A significant part of this increase has been due to the success of our portfolio for soybean rust and we expect to reinforce this towards the end of the year with the launch of the new active ingredient, Solatenol.

At the same time we've been gaining share in corn and soybean seed through the introduction of new technology and because of the benefits of the commercial integration.

We have achieved significant sales growth in the first nine months of 2012, despite a weak first quarter due to the drought. The 18% sales growth in the third quarter indicates the new season is off to a great start. So this makes us confident for the fourth quarter which typically accounts for around 40% of annual sales in Latin America.

If you turn now to sales by product line, starting with crop protection on slide eight. Selective herbicide sales were 1% lower in the quarter with increased investment in Latin America, notably for sugarcane, offset by weather effects in the northern hemisphere. In North America registration of improved formulations resulted in a change in phasing compared with last year and this will shift sales into the fourth quarter.

Non-selective herbicides showed strong growth in each of the three main products, with Touchdown growing particularly strongly in Argentina.

For fungicides the impact of drought in the US was more than offset by wet weather in North and Central Europe, which drove the development of disease.

Growth in insecticides reflected the demand on soybean in Brazil, the success of Force in addressing corn rootworm resistance in the US and the global expansion of Durivo.

Seed care is continuing its strong growth in developed and emerging markets, driven by Cruiser and accelerating adoption of Avicta for nematode control.

Please now turn to slide nine for seed sales by product line.

Corn and soybean sales were driven by corn in Southeast Asia with the introduction of new hybrids in Indonesia and an expansion of the traits offer in the Philippines. In North America the third quarter is immaterial and reflects end of season adjustments. In Latin America seed sales will be weighted towards the fourth quarter and we are expecting another strong season.

Significant growth in diverse field crops primarily reflects strong uptake of a new hybrid barley offer and this follows on from the success of our sunflower offer earlier in the year.

Vegetables continue to be affected by weak demand in Southern Europe where the economic crisis has caused consumers to trade down from high quality fresh produce. The situation does now appear to have bottomed out and we see signs of recovery in export markets such as Spain. Sales grew strongly in Latin America and Asia Pacific.

Moving on now to some innovation highlights, starting with new crop protection products on slide ten.

Sales in the first nine months of the year were up 33%; the cereal herbicide Axia continues to grow, helped by a recovery from last year's floods in Canada. Avicta has been driven by Brazil where sales have more than doubled. As already mentioned, Durivo is growing globally and sales for the first nine months alone exceeded \$150 million. Seguris and Vibrance, both launched in the last two years, are still small but have significant potential as they enter new markets.

Please turn now to slide 11, which gives you the latest news on our corn trait portfolio and shows the breadth of the opportunity that is opening up for us.

Early harvest data for Agrisure Artesian, our native trait for water optimisation, suggests that performance is even exceeding our expectations. We will be able to share more on that when the harvest is complete in November. With this trait we are targeting 30% of a market estimated to reach at least \$500 million.

And last week we announced that the third ethanol plant has signed up for commercial use of the Enogen trait and we have signed two new trial agreements. This is recognition of the significant 8 cent to 11 cent cost advantage offered by Enogen.

The Viptera brand is increasingly recognised for its superior insect control and the latest market research shows it clearly outpacing competitors in terms of value and yield perception. Now well established in the US, it is expanding fast in Latin America where it is improving grain quality by reducing mycotoxin contamination.

Our refuge in a bag offer received EPA registration in July and will further enhance our leading corn insect control portfolio. We expect the RIB offer to account for around 10% of our portfolio in the coming season.

Slide 12 is a reminder of how we are bringing together traits, seed treatment and crop protection to provide integrated solutions for corn rootworm in North America, where this pest affects around 45% of acreage. By combining good farm practice with traits, seed treatment and insecticide sprays, we are able to deliver a return on investment for growers than can exceed 3:1.

Our offer will be enhanced by the launch in 2014 of our new second generation corn rootworm trait, Duracade.

And with that, let me hand you back to Mike.

Mike Mack

Thanks, John. Please turn now to slide 13. In September we raised our long-term sales objective from over \$22 billion to \$25 billion. We set a firm date for achieving that target, the year 2020. The upgrade stems from the rapid progress being made in some of our key crops and you can see the numerical detail on the right of the chart.

John has just described to you some of the highlights in corn. Let me emphasise that our corn potential goes way beyond the Americas, extending for example to growth in our tropical germplasm and traits in Asia Pacific.

In the next two slides I will briefly touch on the key drivers behind the upgrades for cereals and rice.

Slide 14. Our third quarter performance shows that we're well on track to achieve our sales target of more than half a billion dollars for our integrated hybrid barley offer. Sales for the seeds component alone were up 75% and this of course creates pull for our crop protection portfolio. The initial focus is winter barley in Western Europe but, as you can see from the slide, there's significant scope for expansion well beyond that.

And now rice on slide 15. Those of you who were able to join our crop update in India experienced firsthand how our integrated rice offer works in the field. The original Tegra full service concept is now being expanded for use in nurseries and directly in the paddy and this is what underpins the increase in our sales target for rice.

The revised target does not take into account the proposed acquisition of Devgen, for which we announced a public offer last month. This is one of a number of acquisitions and investments we've announced which further underpin our commitment to growth.

You can see the rationale for the Devgen acquisition with regard to rice on slide 16. The rice seed market is underdeveloped and has significant growth potential. Devgen's established presence in key Asian markets, as well as its leading pipeline, are ideally placed to exploit this potential. In combination with our crop protection portfolio, the acquisition would enable us to accelerate further our integrated rice strategy.

Slide 17 tells you a bit about the other acquisitions and investments announced over this past quarter.

The acquisition of Pasteuria gives us a biological platform for nematode control which complements our existing portfolio. Pasteuria's unique production process will enable us to manufacture at scale and the first launch is due in the US in 2014.

We've announced the construction of two new production plants for corn and sunflower seeds, one in Argentina and the other in Russia. This attests to the strong demand we see globally for our seeds portfolio.

And finally, we announced in July that we're targeting a 20% EBITDA margin for our lawn and garden business, which is up from 12.5% in 2011. The acquisition of Du Pont Professional Products insecticide business is consistent with a sharpened focus on high value chemistry in genetics which will enable us to achieve this objective.

Finally, the outlook for the full year now on slide 18.

We're seeing continued sales momentum and favourable market developments and we're expecting a strong fourth quarter. Topline growth and the realisation of targeted cost savings will enable us to increase the EBITDA margin at constant exchange rates and to achieve strong growth in earnings per share.

That concludes our presentation today and I should now like to open up the call for questions. Operator.

Questions and Answers

Operator

Thank you. We will now begin the Question & Answer session. If you wish to ask a question, please press *1 on your telephone keypad and wait for your name to be announced. If you wish to cancel your request please press the # key. Your first question comes from Sophie Jourdier from Liberum Capital. Please go ahead.

Sophie Jourdier - Liberum Capital

Oh, morning, thank you. Three questions please. First of all, on corn, you've given the details of the increased 2020 target for corn from \$4 billion to \$5.5 billion which is obviously quite a substantial rise. I just wondered whether you could give a bit of detail as to what in particular has driven that increase.

Second, again on corn, just you're obviously pretty confident about the outlook into next year, given your technology now. But could you just talk about the availability of seed, both from you and from the market, I guess, in light of the US drought?

And then finally just on currency, can you update us on how currencies have moved and I guess, I think last time you said currency should be roughly neutral into next year. Is that still the case? Thanks very much.

Mike Mack

Thank you. Good morning, Sophie. Your first question on corn, I think John showed a little bit about the enthusiasm that we have for the evolution now of this pipeline. But, broadly speaking, the evolution of the traits pipeline is giving a good boost to the answer to your first question about what's moving from \$4 billion to \$5.5 billion. And you saw the suite of traits that we have and of course many of those are going to help us now move the evolution of our corn market share in North America and that combined of course with the integrated approach with what is a leading crop protection capability in North America is going to help do that.

You heard from John some of the growth rates that we've been experiencing in Asia Pacific driven by the adoption of corn, which is again where it's back to some of those fundamentals about high quality feed demand, Indonesia, business up in China, Thailand, India. I mean all of these countries are going to be incorporating corn as part of the feed mix and the germplasm that we have there, the tropical germplasm, is nicely suited. That combined with a lot of encouraging movement on the part of governments there to incorporate insect traits into corn give us confidence about that.

And finally, LATAM, as John mentioned, the third year now with an integrated approach there and we're moving the market share significantly, that combined of course with the adoption of traits in LATAM. So things look set to be a much bigger market frankly than we could have imagined five years ago and the opportunity continues to grow.

On the availability of seed, first of all, the drought, when we spoke at the half year I had us concerned about how those yields might come out and precisely how much winter production we would need. It turns out that things are a bit better than we might have anticipated from our North American production. We will still do some winter production but we always do, and so having said that, I think from the Syngenta point of view, there's going to be plenty of availability of seed and we look forward to getting underway with that over the coming weeks and months.

John, on currency?

John Ramsay

Yes, Sophie, on currency, I think the basic point, nothing's changed from my comments at the half year largely in terms of the overall, taking everything in the round. Just to recap on 2012, in the quarter we did have a 5% impact on the topline. That may have distorted people's understanding of what to expect in terms of topline growth. This is, you know, to be expected. It's very much inline with what we anticipated is affected, particularly in the quarter by emerging markets, and the Euro being something like 14% or 15% different, in quarter three in 2011.

At the bottom line it's actually quite immaterial so we're still tracking towards the guidance I gave of between, well, I said including raw materials, between 300 and 350. Raw materials are going to be about 100 million of that, so you can say currency between 200 and 250 million, very much inline with what we had anticipated.

Just an indication for 2013, which I think was part of your question. Always difficult and I'm always reluctant to give, you know, sort of predictions about currency rates. But if we were to project forward from today and assume most things being projected forward with market consensus on currency rates, then you'd expect a neutral or slightly positive bottom line impact compared to 2012 for the 2013 year.

Sophie Jourdier - Liberum Capital

Thank you very much, really helpful.

Operator

Thank you. Your next question comes from Bettina Edmonston from Kepler. Please go ahead.

Bettina Edmonston - Kepler

Hi, good morning, guys. I just wanted to see if you can give a little bit of information about the end of season adjustments, both in North America and in Europe and what kind of impact that actually had on the quarterly numbers. And I assume this is just the third quarter and you don't really get much back in the fourth quarter.

And then the other thing, following on from Sophie's question, can you give an update on market share in corn in North America currently?

And the third question would be on Artesian and you talked about the 30% market share. Can you give a timeframe for that because I know, or I assume there would be just a round up over the next year, over 2013, so the 30% market share, if you can give us a date for that that would be helpful. Thank you.

Mike Mack

Thank you. John, on the end of year adjustments?

John Ramsay

I think you're referring, as I understand, in terms of quarter three. I mean let me be clear about this. In terms of the northern hemisphere, we shouldn't read too much into the quarter three numbers. It's the smallest quarter for both Europe and North America and we've also had some sales phasing, particularly affecting North America. So North America's still has got quite a bit to go so I'd expect in North America to have, you know, strong growth in the fourth quarter, probably up to the level it has cumulative for the year in terms of high teens. And that's largely inline with, you know, continued strong market and the fact that we've moved some product into the quarter. Of course, quarter four is also about Latin America and probably about 50% of our sales, or approaching 50% of our fourth quarter sales, are in Latin America, and that's also important to watch.

Mike Mack

And your question then about corn share, we're calling this year for us to be relatively stable to last year, just over 10% market share, both branded and through our genetics business. And as we said at the half year, Syngenta did not plan for a 96 million acre market but we're really pleased with the evolution of our portfolio. As John indicated during his presentation of slides this morning, if you take a look at the number of new products that are coming out into this system, fully 25% of our offer this coming year is going to be from completely distinctive seeds and traits. So again we're looking forward to really finding the ability now to leverage this technology and to begin to ramp up our market share.

Then conveniently, you know, you asked then about Artesian and Artesian frankly is one of these offers that is leading the way. This was a particularly good year to be able to demonstrate this new technology and we're going to share with you in a few weeks' time the data from these harvests, as I've mentioned, and the, you know, all indications are that this trait is substantially better than the competitive offers on the marketplace and we hope that in time, over the coming five years, that we can have up to 30% of the water optimisation market, which of course with the drought like we had this past year is a significant ambition. And we look forward to keeping you abreast of that along the way.

Bettina Edmonston - Kepler

Perfect, thanks very much for that.

Operator

Thank you. Your next question comes from Neil Tyler from JP Morgan. Please go ahead.

Neil Tyler - JP Morgan

Yes, good morning. A couple of questions, please. Firstly, within the Latin American business I wonder if you can give us a quick update on Plene, how that's progressed. I think some of the comments suggest that's gone very well and I wonder if you can therefore put that in context of the 30% of acres target and the \$500 million peak sales.

Secondly, any comment you'd like to provide on whether in fungicides in North America you've got sort of visibility on channel inventories there post the drought.

And then thirdly, on pricing, could you just talk a little bit in terms of the detail of how your 2% price increase has split between a sort of mix within crop protection and seeds, because it seems that there must have been a sharp decrease in pricing in the lawn and garden business. But if you could just help us a little bit with that, that would be helpful. Thank you.

Mike Mack

Good morning, Neil. First on Plene, you're right to point out that this is a product concept that continues to have a huge amount of interest from the sugarcane growers there and the sugar to ethanol industry in Brazil continues to be an area that attracts a lot of investment. And so we think we're in a really good position there. We continue to work on the Plene offer itself, which is I mean at this point in time we're probably version six or seven of that and we're working alongside all of the major sugarcane growers and so no change at all to the sales projection that we told you about.

One of the things that John did mention is because of this proximity to the grower, because of the product line that we have, our crop protection chemicals for the sugarcane industry is up substantially and we look forward to sharing more about the entire offer for Plene, for those of you who are able to join us, in Brazil on our field trip next year.

And weather in North America, I mean we actually, the sales are not down on fungicide a great deal. What we had though was that we were planning for some more growth and there is plenty of growth left to do in this market, and further adoption of fungicide to corn because it's yield inducing. But of course many growers, by virtue of the drought, were kind of I mean understandably a bit more cautious about how to incorporate that.

As a consequence, there is some channel inventory. We're not worried about this. I mean prices now have already come out for early orders for the 2013 season and it looks like all of us are set now to address what I think is going to be a pretty good year, at least from what we can tell right now. So, yes, some channel stock, nothing to worry about from our vantage point.

John, variances on pricing between the CP and seeds?

John Ramsay

Yes, I think, Neil, the headline is, you know, we're tracking towards and the guidance we gave was just for crop protection of the 2% to 3% ending the year, the 2% to 3%. And the headline is that we're on track to achieve that. That was just for crop protection. Seed prices continue to be up. I don't think lawn and garden is too much of a distortion. Prices there have been flat or just marginally up I think in the quarter, so that's not causing any distortion. What's happened in quarter three is we've had a little bit of lower pricing in Latin America because of the exchange rate and that's now changed as we go into quarter four.

We've pushed the prices up through the Real which devalued and that just affected things as we were pushing prices up. But that will come through in a positive price variances in quarter four. We've had some excellent achievements in Europe, although a small quarter, but prices up 5%, North America prices up 3%. What we're particularly pleased about is we managed to get prices up in Asia, which have been struggling behind the other regions up till now, but they managed to get some good pricing increases in quarter three. So I think we're very much on track for our target at this stage.

Neil Tyler - JP Morgan

Sorry, just to clarify, all those comments were relevant to crop protection as opposed to seeds?

John Ramsay

All those comments were applying to crop protection, absolutely correct, yes.

Operator

Thank you, your next question comes from Jean de Watteville from Nomura. Please go ahead.

Jean de Watteville - Nomura

Oh, yes, hi, Jean de Watteville. Just one question on, first on Devgen. You talk about obviously the hybrid rice seed portfolio, but there's also another aspect of Devgen, which is their technology in RNAi. I would be interested to get your views of what you think is the potential of this technology, how do you want to work with that within the portfolio of research for new mode of action in insect resistance.

And also related to that, my understanding is that there was an agreement between Devgen and Monsanto some years ago, and I just would like to understand whether there's any limitation currently to your access to this technology or all those agreements basically went through and, you know, there's no constraint anymore. So that's my first question.

The second question is on Enogen. I'm interested about your strategy here. Do you want to keep this trait to drive higher market share in the United States or would you be open to licence Enogen to a third party seeds company?

And the last question is on pricing for next year. Can you just share with us a little bit what are your thoughts on pricing strategy? Do you think you are well set to another year of 2% to 3% price increase? A bit of colour there. You mentioned about the fact that channel inventory in fungicides are well managed, just a bit of colour on where we are would be very helpful. Thank you very much.

Mike Mack

Sure, thank you, good morning, Jean. You're right to point out that the hybrid rice seed was the centre mast for the proposed acquisition of Devgen. This would put us into the number one position, not only in terms of the... And, by the way, hybrid rice in Asia Pacific, I just want to clarify this for everyone on the call, is a small market. But it's a small market with absolutely huge potential and with the diversity of germplasm between what Syngenta already has and what Devgen has been working on for a number of years, will put us into a leadership position with germplasm.

And we already know the quality of the portfolio that we have in seed care as well as the crop protection, and this is going to give us a really robust offer for the development of the rice market, again Asia Pacific being the big target there. RNAi is of course a really interesting and emerging technology. Devgen understands it and we understand it and you noted that we had an agreement with them a few months ago where we had some rights to having an explanter application for RNAi for insect control. It's very interesting and of course the economics that were part of that agreement are now folded into the proposed acquisition, so we obviously had that in our optic.

Now, there is also the potential - to your question here - the potential to have some really interesting opportunity for implanter RNAi expression, not simply in insecticides but in some of the other crop protection chemicals as well, and all of that is still in front of us and frankly it's upside. Of course, to get that upside is going to take some time and also is going to have to have some public acceptance in some of these countries for GM RNAi for implanter. But this is something that I think has terrific long-term potential.

Your question about Enogen, the simple answer is yes, we intend to use Enogen to drive our seed evolution in North America, but it's not just seed. Of course, as we go to market with the integrated strategy, as the seed share comes, so comes additional benefits in seed care and the crop protection chemicals as well. And your question directly, would we be interested in out-licensing, we broadly had a posture with all of our traits of being willing to out-license them. For the moment, Enogen right now represents something for which we're pretty focused on ourselves, but that is not to say that the door would be closed to something like that. It wouldn't.

And the prices, 2012, I mean we didn't have a kind of announcement that we did a year ago in 2011, but our people all around the world are positioning themselves for some further price evolution in the 2012/13 season. John, maybe a bit more colour on how that might evolve around the world?

John Ramsay

I don't think it's that simple. I think we've come from a position of, you know, getting stability and some price increases over the last 18 months and I think that's moved industry on as well as Syngenta. Our objective would be to continue, not, you know, going for big price increases but continuing to get proper price increases associated with, you know, the additional costs that we have to bear, and that's the message that's going out to teams around the group. And to date we've been, I think, successful in getting the prices that we've targeted and I don't see anything that should stop us going into next season for having similar levels of ambition around similar levels to what we've achieved in 2012.

On seeds it's a bit of a different dynamic; we have, you know, consistently got price increases in vegetables in the more niche crops and the field crops do tend to follow the commodity price of the growing season in the prior year. So we'd expect to see, because of the uplift in crop prices, of course, then we'd see some further increases in the price of seeds as well.

Jean de Watteville - Nomura

Okay, thank you very much.

Operator.

Thank you. The next question comes from Andrew Benson from Citi. Please go ahead.

Andrew Benson - Citi

Thank you. You talked a little bit in the statement about the delays in America and India from the third quarter to the fourth quarter. If you could just sort of dimensionalise that. You also wrote about expecting strong earnings per share growth. I just wondered if you can define strong and whether that's sort of 10% or 15%.

Then two others. On slide 11, Agrisure Viptera, up to 42 bushels an acre yield advantage. I mean, that seems just a staggeringly extraordinary number. If you can put some flesh on that and what it compares with that delivers 42 bushels less?

And lastly, if you could just give a bit more explanation on the Agrisure - whatever it is - Duracade and I didn't really understand what that's offering.

Mike Mack

John, the adjustments in the outlook?

John Ramsay

I think, if I understand your question correctly, it's really about, you know, the phasing in North America and Asia in the fourth quarter. In North America even though we've had the drought conditions and there's probably been some impact of that, it's not been a dramatic effect because we've sold mostly in quarter two. And the impact that I was referring to was in selective herbicides where we've got some new formulations.

As you go through, as you know, in this industry you go through re-registration upgrade in formulations and just the registration process meant that those formulations that would otherwise have been sold in the quarter three will move into quarter four. And therefore expect the quarter four in North America to be, you know, a strong quarter, as I said, in answer to a previous question, probably at a level of growth similar to the year to date level of growth.

In India, I think really in Asia, the story's more about the fact that earlier this year we've been affected by phase-outs in some of the markets, which affected the first half performance particularly. And I was just I think making the point that that's not going to repeat in the fourth quarter and therefore we'd expect to see stronger growth year on year in the fourth quarter for Asia.

Mike Mack

And Andrew, your question on Viptera, first of all, the 42 bushels an acre would be an example of what would represent a very heavy corn earworm infestation versus a control. And by control that would be a regular triple stack; an average amount of benefit though would be around 15 bushels an acre. So this just gives you some sense really for how pernicious some of these ear-boring insects can be and how destructive they are, and of

course this destruction is not just North American phenomenon but it's especially a Latin American phenomenon. The point is that where you've got severe insect pressure, the benefits of Viptera are obviously very significant, so 42 is the outer end of the range, a number that would otherwise be 15.

Andrew, I apologise, the second part of your question was on...?

Andrew Benson - Citi

The other two were can you put some colour on Duracade and also your definition of the word strong in the context of strong EPS growth that you're expecting.

Mike Mack

Okay, John, address the EPS, but you'll come back to that. The Duracade question, Duracade is first and foremost a novel mode of action. What that means, first of all, is that it will enable us to have a dual-dual refuge in a bag, two traits above and two traits below the ground. And because it is a new trait it will not be subject to some of the resistance pressures that we're seeing here and it's our expectation that it will have a superlative level of control for corn rootworm because it's a new trait, but it will also be a must have trait for growers who care - and they do increasingly care - about dealing with the insect resistance that's growing. So we're speeding our way through the regulatory approvals and we're looking forward to the first market introductions just as soon as we possibly can.

John, on EPS?

John Ramsay

Yes, Andrew, the short answer is that I don't want to be pinned down to giving it more precisely, but maybe if I can try and be more helpful than that and just give you an indication of the considerations that we were going through in terms of giving that guidance. First of all, in terms of the topline, we do expect a strong quarter. We've mentioned Latin America but North America and Asia will also be strong there, and overall expect double digit sales growth on the topline in the fourth quarter.

I made this point at the half year and understanding the dynamic of the income statement for Syngenta now, have to appreciate that actually more of our profit is going to be earned in the second half than had been the case a number of years ago. So if you go back to 2010 we're typically earning about 15% of our earnings in the second half and that progressed last year to about 20%; I expect it to be closer to 25% in this current year.

I also anticipate that we will have higher profitability in the second half because the big impact we had from currency this year is significantly affecting the profitability in the first half. So you'll recall at the half year we had something like 170 basis points coming off the EBITDA margin because of currency, and that's going to reduce to under 100 basis points negative impact for the full year. So it improved the overall profitability, together with the fact that Latin America is more profitable to the leverage impact. So those were the considerations behind that guidance.

Andrew Benson - Citi

That's helpful, thank you very much.

Operator

Thank you. Your next question comes from Richard Logan from GS. Please go ahead.

Richard Logan - GS

Okay, good morning and thanks for taking my questions. So you've had some acquisitions announced. I wondered, you know, should we expect more in the pipeline? And in terms of the focus of those acquisitions, is it both by emerging markets and also technology on the acquisitions front?

On Artesian, I think a couple of years ago you estimated the market size to be half a billion dollars in the US for hybrid water optimisation. I wondered on the estimate for that, has that gone up in light of the drought conditions that we've seen last year, you know, this last season, the worst drought conditions for 50 years?

And then, John, just to confirm on that last point with regards to the 75/25 split, I mean were those comments specifically at the net income level that you were talking about or also at an EBITDA level or, you know, if you could just confirm on that front, that would be great. Okay, thanks.

Mike Mack

Thank you, Richard. Good morning. First of all, the short answer to your first question on acquisitions is yes, there are more in the pipeline. The focus will continue to be as it has been in the past, anything we can do to further grow our seeds business as well as technology, and we've had several examples of those this past year, so I'm not in a position of course to comment on the pipeline specifically, beyond to say that we're acquisitive, the technology can come along. And I do regard the acquisition of germplasm and intellectual property, for example, in RNAi, the question was asked earlier about Devgen. It's perfectly aligned with our acquisition strategy.

And water optimisation, as you said, this worst drought in 50 years and growers obviously are thinking about this technology in a much different way than they have before. And those of you in the US, just last week there was a news feed, a radio feed on NPR where a grower spoke, NPR spoke to a number of growers about their experience using this new technology and the Agrisure Artesian is getting terrifically high marks from them because it's the real deal.

Growers are naturally concerned and you might not necessarily think about this intuitively, growers are worried about whether or not there is going to be any yield drag on some of these technologies in the absence of drought and heat stress. So how good is our product when it's hot or dry versus do they end up paying any penalty if they have it and it doesn't turn out to be hot and dry.

And I'm pleased to say that Agrisure Artesian is specifically one of those where we bred it to ensure that in the absence of heat or drought stress it still continues to perform really well. So I think we've got a winner here and we look forward to addressing that market. I think in your question it seems obvious to me that the interest in water optimisation can only grow, particularly as some of the pressure on these water tables in the Midwest continues to grow.

John on the net income?

John Ramsay

Yes, Richard, just let me underline, those figures are of course just indicative rather than precise, but I think I'm right in saying that they would apply to both the operating income level and the EPS level, I think I'm right in saying that.

Mike Mack

Operator, I think we've got time for one more question.

Operator

Of course, thank you. So your next question comes from Patrick Lambert from Société Générale. Please go ahead.

Patrick Lambert - Société Générale

Hi, good morning and thanks for taking the question. I have a few, unfortunately. The first one is a general one for 2013. Can you comment now that we're getting closer to the season in the northern hemisphere about the big ideas about your planning in terms of crops, especially in Europe and in North America in terms of acreage, what you're seeing, what you're hearing in terms of preparing 2013 forecasts?

The second one would be on seed care a very strong performance. Can you comment a little bit more on geography where you saw the growth and I guess it's for me to understand, but emerging markets versus developed markets? And also can you comment a little bit on the margins of seed care going forward? That's the second question.

The third one, can you quickly touch on pricing of Amistar? It's a big product. We want to see that it follows the trend on pricing too.

And the last one - oh, no, there's two more. Duracade, the event [?], I think it's 5307, what's your strategy on that trait? Are we going to see the same strategy as MIR 608 [MIR604] or you're going to keep it at the moment for your own portfolio?

And the last one is on hybrid barley. Can you confirm the yield advantage? I think it was said at the webcast it was about 10%. Is that the case or has it gone up? Thanks.

Mike Mack

Sure. Good morning Patrick. Let me first start with North America. You asked kind of how do we see 2013. And to the extent that you can see such things, we take a look of course at commodity prices and those look favourable because that informs the grower sentiment ahead of the purchases and the planning intentions. That's the first thing.

Of course the second thing, and it's not completely unrelated, are stocks to use ratios and whether or not the harvest that we're going to have over the coming weeks and months in all likelihood do anything to diminish the farmer sentiment and of course weather is always something that we can't really get a handle on, beyond to say I saw just last week that the North American meteorologists are calling for persistent drought there in the US and there is now early concern about whether or not there will be sufficient soil moisture in order to drive yield there in the US.

So we have our fingers crossed that we'll get a little bit more moisture in America. So, broadly speaking, with where things are set today, stocks, commodity prices and farmer incomes, 2013 looks, as near as we can tell, set to be a strong year and we're preparing for it in just that way.

John, a couple of questions about seed care and margins and the pricing on Amistar. I'll come back on the 5307.

John Ramsay

On seed care, Patrick, this continues to show strong growth, up 19% in the year to date. In terms of geographic mix, so we've previously been expanding the North American market and there is continued growth there, but it's more like high single digits now than the total for the whole seed care business. And we're getting into double digit type growth in Europe, which is less penetrated than North America. Where the major growth areas are coming from are, as I think you were hinting at, from the emerging markets.

So, you know, we've got 50% type of growth in Latin America in the year to date and somewhere just a bit under that in Asia Pacific. Those are where we're targeting now for the major growth for seed care. So as far as margins are concerned, this is right at the top end of the crop protection portfolio, gross margin.

Patrick Lambert - Société Générale

So emerging markets would be roughly currently as a percentage of total?

John Ramsay

As a percentage of the total it's getting up to the developed market level, but there's still significant growth potential in those markets to take it even further. The largest market at the moment is still North America, with Europe some way behind and the emerging markets behind that. But they're the ones that are growing fastest.

Amistar pricing is fine. I think it's all in the mix of, you know, the pricing targets that we've had there for the total group and we are getting price increases on Amistar in different parts of the world. The focus of course on Amistar is largely on volume because it does continue to grow and we're seeing growth of, you know, 15% in North America.

In the year we saw something similar to that in Asia, which is where a lot of effort is going in terms of our strategy of expanded Asian market. I think we also saw quite considerable growth in Europe this year. The only place that hasn't grown is Latin America because of the drought, but we'll see strong growth in Amistar in Latin America as we go into this season in the fourth quarter.

Mike Mack

And maybe, Patrick, then I can address your question on our 5307 Duracade. I mean we have a high degree of confidence that this is a blockbuster insect trait and so we're going to use it to drive our market share in corn, but the same answer as I did on 604, which is if some of the other corn seed companies would like to license that, I think, you know, our door is open to having a discussion. But it has to be value priced because frankly I think it's going to command value in the marketplace from growers who are going to take great advantage of the insect control that it's going to offer, particularly in the emerging resistance environment.

And hybrid barley, yes, 10% is the number that we're working with on average, but I just want to underscore that 10% is a really big number when you get into a field crop situation. So thank you for that, Patrick.

And ladies and gentlemen thank you for joining the call. We look forward to talking with you again in February and if you have questions in the meantime, please of course feel free to call Jennifer Gough and Lars Oestergaard in Investor Relations. And with that, I wish you a pleasant day.

Operator

Thank you. That does conclude our conference for today. Thank you for participating. You may all disconnect.

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Corporate Affairs

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