

Syngenta AG ADR SYT
Q1 2012 Earnings Call Transcript

Executives

- Jennifer Gough : IR
- John Ramsay : CFO
- Michael Mack : CEO

Analysts

- Stacie Shoran : Liberum
- Andrew Benson : Citigroup
- Richard Logan : Goldman Sachs
- Lucy Watson : Jefferies
- Andrew Stott : Bank of America Merrill Lynch
- Amy Walker : Morgan Stanley
- Jean de Watteville : Nomura
- Thomas Gilbert : UBS
- Patrick Jousseume : Societe Generale

Transcript Call Date 04/18/2012

Operator: Good morning, ladies and gentlemen and welcome to the Syngenta Q1 2012 Trading Statement Conference Call. At this time, all participants are in a listen-only mode until we conduct a question-and-answer session and instructions will be given at that time. I would just like to remind you that this conference call is being recorded.

I would now like to hand over to the Chair person, Jennifer Gough. Please go ahead with your meeting and I'll be standing by.

Jennifer Gough - IR: Good morning, and welcome to the call. Today's call is hosted by Mike Mack, CEO and John Ramsay, CFO. Slides to accompany the presentation are available on our website syngenta.com.

Let me, first of all, remind you of our usual cautionary statement. This presentation contains forward-looking statements, which can be identified by terminology such as 'expect', 'would', 'will', and similar expressions. Such statements may be subject to risks and uncertainties that could cause actual results to differ materially from these statements. We refer you to Syngenta's publicly available filings with the U.S. SEC for information about these and other risks.

With that, I would like to hand you over to Mike, who will start the presentation on Slide 3.

Michael Mack - CEO: Thank you, Jennifer. Good morning, ladies and gentlemen. When we last spoke in February, we reported on a year of significant growth, which of course set the bar high for 2012. I am pleased to report that we've made a strong start now to the Northern Hemisphere season with double-digit growth in both North America as well as Europe.

Overall, sales were up by 9% at constant exchange rates with volume up 5% and

price up 4%. Prices were up by 7% in seeds and by 4% in crop protection. Now, the crop protection increase is compared with the first quarter of 2011, which was before we set our mid-year price increases. We're on track though to realize the expected price gain of 2% to 3% for the full year which is, of course, a consequence of the determined action we took last year and the substantial value which our products continue to offer to growers.

In seeds, growth reflects our global presence and the success of our technology, notably, in corn and sunflower. For this business, particularly, the early gains from our integrated strategy are apparent as increased marketing resources are leveraging our sales in areas such as Latin America and Eastern Europe.

Please turn now to Slide 4, which shows integrated crop protection and seed sales by region. Starting with North America, where sales were up 13%. Warm weather there has encouraged an early start to the season and corn planting intentions are at the record level of almost 96 million acres. Planting is just getting underway and customers have been gearing up for buoyant season including for crop protection.

Our business has benefited from increased awareness of both weed and insect resistance issues, which demand adapted solutions combining several technologies. Although fungicides are applied later in the season, the signs are that the rate of adoption is going to increase again.

In Europe, Africa, and Middle East sales were up by 14% and as last year we're seeing substantial growth in developed as well as emerging markets. Part of this stems from the impact of very low temperatures in February and early March, which resulted in winterkill and more than 7 million hectares which is more than 10% of the total, mainly in Northern and Eastern Europe. This has led to a rush to plant spring crops not just cereals, but also corn and sunflower and our broad portfolio has meant that we're well placed to respond to this development. The areas which made the largest contribution for growth were France and Eastern Europe. In France, as we mentioned in February, a change in the law on credit terms moved sales from morte saison in the fourth quarter into the first quarter.

We also saw good underlying growth particularly for CALLISTO on corn in the fungicides. In Eastern Europe, we saw rapid expansion in sunflower and corn and the benefits of a broadened crop protection range.

In Latin America, where the season now draws to a close in the first quarter, sales were lower as draught in Argentina and Southern Brazil affected crop protection usage. Now, this was partly offset by a strong second corn season in Brazil, leading to dramatic growth in our corn seed sales augmented by our enhanced trait and germplasm portfolio.

Overall, we had an excellent season in Latin America with full year 2011 sales up by 19%. Finally, in Asia Pacific sales were up by 2% with performance impacted by cold wet weather in Australia not something we usually get to talk about.

This is however, expected to favor crop development there for the remainder of the year. Sales were also affected by the phasing out of older products in India and

Japan. However, we're seeing continued strong growth in China and in Asian countries.

Let me now hand you over to John, who will continue with some more detail on sales by product line. John.

John Ramsay - CFO: Well, thank you Mike. Please turn to Slide 5, let me first of all draw your attention to one change in the way we are presenting product line sales. Meeting accordance with the new reporting structure we announced in February.

The crop protection product lines no longer show professional products, which are now included in our global lawn and garden business segment, and the same applies to flowers which were formerly reported under seeds.

Turning now to the figures, total crop protection sales were up 9% with constant exchange rates, the main driver for growth came from selective herbicides reflecting strong demand for corn in the U.S. and Europe. In cereals AXIAL, now in its seventh year saw sales up by a third.

Non-selective sales were lower with a decline in GRAMOXONE mainly due to the delayed sales pending introduction of a new formulation in Korea and this was partly offset by growth in TOUCHDOWN across the Americas.

Fungicides saw strong early demand in Northern Europe as well as France. In addition, AMISTAR expanded rapidly in Asia and then in U.S. sales were up by almost 40%. Growth in insecticides reflected the further success of ACTARA particularly on sugarcane in Brazil, the rollout of DURIVO and significant expansion in sales of force for corn rootworm control.

Seed care had a very good start to the year following on from the growth of 18% in 2011. Sales were up strongly in all regions driven by the ongoing success of CRUISER.

Slide 6 shows the sales of new products, which were up 35% in the quarter, with a five-year compound average growth rate of the 39%. Then the market site AVICTA has now been successfully launched on corn and soybean in Latin America. I have already mentioned AXIAL where growth was driven by Europe and by a recovery in Canada after two years of lost cereal acreage.

The DURIVO family of products continues to expand rapidly on rice and vegetables in Asia and REVUS for vegetable, potatoes and blight made a significant contribution to fungicide growth in Europe.

The two newest introductions are SEGURIS for disease control in cereals and the seed treatment VIBRANCE, which will start to make a visible contribution from the second half of this year. Altogether these products which for the full year 2011 had combined sales of \$619 million of peak sales potential of around \$1.8 billion. Turning now to seed sales by product line on Slide 7.

Corn soybean sales were up 13% driven by strong corn demand in all regions and by the ongoing reinforcement of our competitive position through trait introductions and

germplasm enhancement underlying growth in corn was partly offset by lower licensing income, \$30 million less than in the first quarter of 2011 when we received an introductory milestone payment from pioneer. I will say more in a moment about the success of our corn technology.

Soybean sales were lower owing to the reduced acreage expectation in the U.S. and to the ongoing transition of a portfolio to Roundup Ready 2 technology. Diverse field crops continued a growth record for which I'll show you more detail in a moment. Vegetable sales were lower as consumers in Europe and North America rein back expenditure.

Let me now highlight for you some aspects of our global technology advance in corn and please turn to Slide 8. While the U.S. has been at the forefront of our technology development, it is now expanding rapidly in the rest of the world, with nearly 50% of Q1 corn seed sales outside the U.S.

In the U.S. around 85% of the portfolio is now triple or multi stock. We expect sales of VIPTERA this year to be between 25% and 30% of the total. While VIPTERA is our first truly distinctive insect trade Enogen further demonstrates our biotech innovation capacity. It contains the industry's first output trait for corn, one which can significantly improve the profitability of ethanol plants, which use the dry grind method. Launched at the end of last season, this year Enogen will be grown in a closed-looped system on more than 20,000 acres and discussions are ongoing with a number of dry grind ethanol plants.

To give you an idea of the market potential, just under 40% of U.S. corn is expected to be used for ethanol this year. Of this around 90% will be processed by dry grind plants, that is equivalent to nearly 35 million acres.

Latin America is now playing a key role in a corn seed expansion. Around 20% of the portfolio for the 2011 12th season was double or triple stack and this is expected to increase rapidly.

In March, we received approval for our quadruple stack corn in Argentina, which will provide industry-leading control of both above and below the ground insects. In Asia Pacific, our corn sales more than doubled in the first quarter and there is further significant growth potential with the plant launch of triple stacks in the Philippines and corn borer control with herbicide tolerance in Vietnam.

Finally, in Europe sales were up 56% in the quarter with particularly strong growth in Eastern Europe. Of course, GM technology currently plays no role here, but rather we have seen the benefit of our integrated approach as we build further on a strong crop protection presence.

Continuing on Slide 9, our integrated portfolio means that we are uniquely placed to help grow and manage the increasing challenges of wheat and insect resistance. There are now 11 resistant wheat species in the U.S. and 10 million corn acres are affected. This is also a growing problem in Brazil. Our leading corn herbicide portfolio including glyphosate mixtures enable growers to deal effectively with weeds, which if untreated can cause substantial crop loss.

For insect control, we supply combination of chemicals and seed treatment as a complement to our traits package which this year includes our first refuge reduction sales. The range includes our leading soil insecticides force which we have always recommended areas of severe rootworm pressure and which now provides an additional tool to combat resistance.

As you can see from the chart, this is generating strong growth in sales, particularly in the U.S. but also in Europe, notably Hungary where corn rootworm pressure is increasing. Slide 10 shows you the accelerating growth in our Diverse Field Crops, the main driver has been a world-leading sunflower portfolio, which is enabling growers to meet increasing demand for high-quality healthy oils and to show you particularly the rapid growth in Eastern Europe.

Sugar beet showed growth across all regions in the first quarter, with the largest contribution coming from the success of glyphosate tolerant varieties in the U.S.

With that let me hand you back to Mike for some final comments.

Michael Mack - CEO: Thank you John. Turning now to the outlook for the remainder of the year on Slide 11. While weather will as ever play a role, the Northern Hemisphere season is developing well which leads us to expect continued positive sales momentum. Acceleration of integrated benefits should contribute to the achievement of our goal of market outperformance. Price increases and cost savings are on track and together should more than offset currency and raw material headwinds. Our estimate for these remains unchanged at \$300 million and \$350 million. We expect top line growth, ongoing portfolio enhancement and operational efficiency to enable an increase in profitability at constant exchange rates. Strong cash generation will continue and we plan to return around \$1 billion to shareholders through the dividend to be paid later this month as well as a \$200 million share buyback.

As an indication of the strength of our balance sheet in March we made a \$750 million debut bond issue in the U.S. and achieved the lowest coupons ever by a non-U.S. company within our rating category.

A crop based approach is inherent to our integrated strategy and we're keen to update you on the progress we're making. Slide 12 is a reminder of our program of crop based communications which follows on from last year's capital market stays.

The first event is a webcast on May 11, covering our cereals and corn business to be followed then by field trip in September for rise in vegetables. I hope as many of you as possible will join us for these events, but in the meantime, let me open up the call now for questions on the quarter. Nicole?

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Operator: Andrew Benson, Citigroup.

Andrew Benson - Citigroup: Could you give us idea of your view of your market share in the seeds in North America and how the VIPTERA price is developing now, how you see that developing in the medium term as well? Can you talk a little bit

about the seed treatment, what's happening there? Is there something special going on? 24% seems quite high. The non-selectives, you talked about a one-off change in technology whether that was going to make much of a difference as well, if you could just give us an idea there please? Then can you give us a sense of the margin expansion that you hope to achieve this year?

John Ramsay - CFO: Right, good morning Andrew. Can you clarify your non-selective question?

Andrew Benson - Citigroup: You said non-selectives were lower because there was a – that you're going to introduce a new GRAMOXONE or something like that?

John Ramsay - CFO: Okay, yeah, I understand. Look, first on the market share question for corn, look, we've always been, I think, properly circumspect about that at the end of the first quarter. The season itself is the best time and when we talk again at the H1 to get a sense for that. I mean today, for example, corn acre is expected to be just below 96 million, but there is a lot to be planted, and I couldn't even guess the outcome if I don't know what divides the number of acres, we're dividing it into. As our corn seed sales around the world are up 21%, I think that's very representative of the success we're now beginning to enjoy from these investments that we made over the year. So, I wouldn't guess on the specific market share for corn beyond to say that the evolution of the portfolio has gone according to plan. We're pleased with where things are. Your second question has to do with VIPTERA, of course, it's getting a lot of very favorable reviews by farmers. The quality of this trade, the efficacy of the trade is terrific, and we're seeing some of that, of course, reflected in the performance of it down in Brazil and in Argentina where it is increasingly going to be a must have trait. As John mentioned, it's only – it's just now still only 25% to 30% of the offer but we expect that to grow. Again, the receptivity of is quite good. seed treatment this past year, as you know, sales up on the full year basis and this business is now worth more than \$1 billion for the first time. John any more color on the specifics of the seed treatment mix?

Michael Mack - CEO: It is an impressive performance because it comes on top of 18% growth worldwide last year. I mean it is driven by Cruiser, but not exclusively so. But it represents the trend to move to higher value seeds. So we are expanding something like 40% in Europe. It's up about 70% in Latin America which indicates the requirement to protect high-value seeds as you see the valued seeds expanding there. But it also up 20% in Asia. So it is this technology advance which is driving a very high-valued product which gives enormous build advantage to growers. Under GRAMOXONE, Andrew, it's a pretty straightforward answer. We are cutting over to a completely different formulation there and the new formulation has not yet been approved by the Korean authorities. So we are ready to go just as soon as they are and I regard this as – well, it did affect our sales but there is nothing particularly tricky about what's going on behind the scenes on that. Finally John, some color on the margin expansion beyond to say that we are not giving full year guidance on that but ...

John Ramsay - CFO: The EBITDA margin expect. We do expect to enhance the

EBITDA margin in constant currencies. It will very much depend on the top line growth and of course the currency in a margin level is going to be a headwind but on top of the constant currency growth in margin we made in 2011 we expect to make significant growth in 2012 or on a constant currency basis.

Operator: Jean de Watteville, Nomura.

Jean de Watteville - Nomura: Three question on Asia, if I can. First one is on you mentioned the impact of product rationalization for your Asian sales. Can you just quantify in terms of full year sales what would be the impact of the product that you discontinue? Second question, you mentioned strong sales of AMISTAR in Asia, now we all know that your sales of AMISTAR in Asia were historically very limited and so a big part of the (Growstar if) AMISTAR going forward is in Asia. Can you just develop on what phase you are of the development of AMISTAR in Asia. If you can just highlight what's the patent protection and probably share with us a couple of sales targets of what you think you can achieve in Asia with AMISTAR? Lastly on GRAMOXONE, now I understand most of your sales of GRAMOXONE are in Asia and particularly in China. My understanding is that there are some discussions of a ban of some formulations of GRAMOXONE. Can you tell us what are your sales of GRAMOXONE in Asia and what could be the potential impact if any then happens in China of GRAMOXONE?

John Ramsay - CFO: Three questions, look I think on the first one, the product rationalization this is and has been an ongoing journey for the Company over the past 12 years, we've done it before, we'll continue to do it, we're undertaking now our small products very limited impact and of course as our new products continue to evolve as a percentage of the total portfolio some of the other ones naturally just get smaller and it makes good sense to begin to emerge away from those. So there is nothing -- it's not a new development and there is nothing of particular significance to it. The second one on AMISTAR in Asia Pacific you're right to point out that it continues to grow nicely. It has terrific efficacy on important Asian crops, the AMISTAR works on rice, AMISTAR works on vegetables and as you know, well from the U.S. experience it works on corn and it works on the cereals. So, all of the things that the Asians are undertaking to make their crops more productive AMISTAR has a market therefore, U.S. specifically about the sales targets, I mean, and I'm not trying to get around the question, but over the years we have been always more wrong than right about the potential success of AMISTAR, it has gone from strength-to-strength and the capacity expansions that we put in place have just a testimony to the power of this active ingredient to just continue to be a blockbuster that surprises. So, I mean if I were to give you a sales target today, my answer is, we would go past it, it's big part of the range and it is going to continue to be part of the story there. Finally, on remarks, I mean you're right to say that the Chinese today are undertaking an assessment of the various forms of GRAMOXONE a form being a straight product, a dilutive product and they're talking about a gel formulation two things about that. First, we are working very closely with them on a technical level and then the regulatory area and so we regard that as very much a local supplier in that respect. So nothing will come as a surprise to us, one. The second thing is to the extent that anything has changed it is expected that the phasing period would be a period of years for us of course and our

competitors in China to be able to adopt to the new form. So as we hit here today, I see no significant potential for any change in the regulatory status of this to be a financial surprise to the firm and we will have plenty of visibility on it if and as it gets decided.

Jean de Watteville - Nomura: Just the patent protection if I missed that in Asia?

Michael Mack - CEO: I am sorry.

Jean de Watteville - Nomura: Just I was wondering about the timing of the patent protection if I missed that in Asia on the main countries.

Michael Mack - CEO: We have got some years to run here and it's different years by different products. Any specific country you were interested in?

Jean de Watteville - Nomura: Malaysia I think is one of the important growth potential, Indonesia or Southeast Asia in general are we talking about mid-10 or I know the decade, we know it's off-patent in Brazil already. It is getting off-patent in North America. So I am just pretty curious what's the kind of timeframe of the patent protection you have in the main countries in Asia.

Michael Mack - CEO: Sure. Look, first, of course Jennifer can get back to you with the schedule, John, on virtually all of the countries, but I think the important point here is the way we have been thinking about this product as it goes off patent has been well established and I think our track record speaks for itself which is that we've taken a lot of these big markets to mixtures, have supplied some of the generic demand for this already, and the growth of the underlying growth of demand for this product is the same that continues to be the most significant feature of the story and if and as these things come off patent that is not something that's keeping us awake in night.

Operator: Patrick Jousseume, Societe Generale.

Patrick Jousseume - Societe Generale: Congrats on this good start. Two questions on actually corn, North American corn. Can you quantify little bit the royalty income that you got in Q1 and in 2012 what you expect on your corn portfolio? Second question, I did realize the corn season has started pretty early and do you expect a big impact on your corn protection portfolio is and maybe you can comment on that the maturity where that's been chosen is likely to be longer than last year, the corn maturity?

Michael Mack - CEO: Yeah, let me address the first question, the second question first, it is true that sometimes in early season can give us difficulty in the crop protection business if it becomes more immediately after it's wet and from a technical point of view farmers can't physically get into their field to spray a pre-emergent selective herbicides that can be a problem. That wasn't the case this year, it got rather warm sooner, it was dry enough and the crop protection business is off to a great start and so there is nothing about the earliness of the season that is in and up itself going to have an impact of what is happening here of course is as farmers have an early season they are looking forward to a good season and because they are going to probably have rather full amount of time to grow their

crop, that means that they're going to put as much investment in it as they possibly can, which is why today we're giving you a sense of the confidence that the Northern Hemisphere season getting off to a great start. John, on the first question?

John Ramsay - CFO: On the royalty Patrick, the difference in royalty in the first quarter is about \$30 million and that does relate to corn as specifically our rich one corn license income, but look that the thing about the royalty income is always going to be a bit lumpy particular between quarters as the income is dependent on certain hurdles and different ways of contracts are constructed and anticipate for the full year taking our whole royalty income in total and we should end the year with a level of royalty income roughly in line with last year, and therefore that's the \$30 million difference will be made up as we get into the seeds and we get royalty income from other streams.

Patrick Jousseume - Societe Generale: Just to come back on the corn. Did you see in your corn seeds portfolio longer maturity corns? Or has it shifted this year?

John Ramsay - CFO: I think by virtue of it being a bit early that would directionally say that there will be more longer maturities planted to the extent that they're available, but the season is getting underway right now, and there is a number of weeks to run and I wouldn't want to make a comment about what the rest of the competition has to offer in the way of short, I mean mid versus longer maturities, but our farmers are eager to get in their field and it's underway as we speak, but so far it's looking quite positive.

Operator: (Stacie Shoran, Liberum).

Stacie Shoran - Liberum: Just one question really. Your Latin American corn and soy seed business, very strong growth. You are talking about market share gain. I just wondered whether you could give us a bit of an update on your market share in these regions, what's driving the share gains? It's quite a small business today, but what are your expectations for that business over the next few years?

John Ramsay - CFO: The Latin American business is a bit of a version of my answer around AMISTAR which is it's a region that continues to – that we set high goals for ourselves and fortunately we've been able to even exceed those over these past years. Like some of the strength of the portfolio and crop protection and the strength of our go-to-market strategy there is now enabling us to take full advantage of some of the technology that's been adopted in the corn seed business as well as soybean seeds. Of course, the seed treatment offer that we have there all of these things come together really nicely in some of this big acre crops. We mentioned I think at the Capital Markets Day, I know we mentioned at the Capital Markets Day the tremendous potential we have in the sugarcane to ethanol business, for example, where (Plenus) is truly an innovative offer. All of the crop protection chemicals that we have in sugarcane continue to grow, but there is also coffee, there is plantation, Brazil continues to just develop the quality of its agriculture business. You weren't just talking about Brazil, but you're also talking about the rest of Latin America, including Argentina, and it's been very encouraging to us. I think right now we estimate that our market share of 14% in corn and that's up substantially from single digits just a few years ago Argentina we think it's about

17%, which is also up substantially, and it's again driven on the back of technology as well as, frankly, the breadth of the service offer that we have to the customers.

Stacie Shoran - Liberum: Just a follow-on, I mean, just on the corn and soy seed in particular, and is there anything that is driving those market share gains that you've reported today?

Michael Mack - CEO: I think what John said was that the Q1 sales in LatAm reflected a really strong second season for corn. Second season for corn is the (sofrina) season in Brazil and main season in Argentina. We believe that we've had share gain in both of those markets. John, the corn seed sales percentage change there is what year-on-year?

John Ramsay - CFO: Yeah Sophie, I mean just to say, in Latin America, just to make clear we're not selling soybean at this time of year. That comes in third and fourth quarter, but sales for corn in Latin America for the total region are up 76%. While it's early days, those estimates that Mike has given for market share look achievable on that basis. So, that's a really significant advance and thus our technology is going in there which is clear, but also I think we're probably getting some leverage on our new strategy of going to market on a combined basis, but the number is 76% growth.

Operator: Andrew Stott, Bank of America Merrill Lynch.

Andrew Stott - Bank of America Merrill Lynch: Just a question on the integration program, where you are now, which geographies you still got to do? I think if I remember, I think you're saying mid this year the whole thing should be done, so sort of a qualitative update there. Maybe question for John specifically. I wonder if you could isolate that GRAMOXONE impacting Korea for Q1 if that's possible. Then final question is VIPTERA, I think you've gone from and correct me if I'm wrong, 20% of the portfolio in U.S. corn to – I think you said 25% to 30% is a range year-on-year. So, my question is the base right, is my 20% right? Then second question related to VIPTERA is what is the potential here? Is there a target that you can share with us for the mid-term?

Michael Mack - CEO: Andrew, look, the first thing on the integration, yes, it's going nicely. We've already integrated 16 of 19 territories, which means that we have three left. We believe those will be completed by mid-year. Just in the way of background on this, it's not that there is anything in the way, but here in Europe we're having to we work closely with the workers councils and to be sure that we do it in conjunction with the agreements that we have in place with our employees. So, but the employees and the management, everybody is terrifically enthused by getting underway with this and so there is nothing of significance standing in the way of achieving that plan. On VIPTERA before I turn it back to John, on your second question, VIPTERA we think it has broad addressability on some 50% of the corn acres. And, of course, you know that some of the underlying insect pressure, whether it's corn or European corn borer – a corn rootworm or European corn borer or some of these lepidopteran pest, it can change from year-to-year. The amount of pressure can change from year-to-year, and the entire (dice borer) itself can move. So, 50% is a pretty good number, which is to say that we've got some room yet to

run on the evolution of VIPTERA within this, and again, it is getting great receptively in the market. John, on GRAMOXONE.

John Ramsay - CFO: Yeah. The GRAMOXONE phase is a phasing issue associated with bringing in the new formulation in Korea and the number will be around \$10 million.

Andrew Stott - Bank of America Merrill Lynch: Can I just follow-up Mike on your comment on the three territories not yet achieved. Is that a modest red flag about the 300 million target for this year or not?

Michael Mack - CEO: No, not at all. Until we have properly finished our discussions with the workers councils, they would regard it as inappropriate for us to say that we have completed it, but everything is going far better than we expected it would on this. Folks are looking forward to getting aligned behind this strategy. Many parts of it, of course, are already working to the new strategy but we just need to complete our work.

Operator: Richard Logan, Goldman Sachs.

Richard Logan - Goldman Sachs: Thanks for taking my questions. Most of them have been answered. But I just wanted to follow-up on the Enogen comment. It sounds like there is quite a large potential growth opportunity there. I wondered if you were able to give any sort of quantification of your expectations (heights) over the next few years in terms of the ramp up there. Then just on the pricing, if you could just confirm on the crop protection pricing, the increase that was achieved in the first quarter year-on-year? Then just on the integration, I mean you said about that you have been pleased with how that process had been going and that it was exceeding our expectations. I mean are you able to give us just some examples of like specific examples of things that have surprised you on the upside and any areas where things haven't gone quite as you expected just to get a bit more color on that, thanks.

Michael Mack - CEO: I'll take the first and the third maybe John you can offer a bit more detail on the crop protection pricing particularly the comps relative to the target we set at the mid year. First on Enogen, I mean what are we doing this year, because it didn't get approved regulatorily until February we were not able to put a lot of these corn into the ground and so what we are going to be able to have available to work with some of these customers on an ethanol plant basis, is a small handful of customers and that's physically what we're going to be able to do. Now, the major priority for us Richard during the year is going to be to sharpen the value proposition. We know that Enogen corn is able to give a range of benefits to these ethanol plants. Operators are able to expand the throughput of the plant. They are able to of course eliminate the use of their liquid emulates but they are also able to reduce some of the temperature, but we got to really sharpen up this value proposition. We believe it may offer \$0.08 to \$0.11 per gallon of benefit, and of course, as a percentage of their existing profit this is quite a good number, but we haven't had enough experience on a range of a number of different plants to be able to want to quantify it. As John said during his remarks, when you think about the corn crop for 40% of it going to ethanol and 90% of that amount being using this

very method of the addressable market is quite big, but I wouldn't want to get in front of ourselves. I'm telling you exactly where that's going to be. Now, that's been deregulated though, I can't promise that as the results of these trials come to pass, we're going to be in a much better position to be very sharp with you on precisely that question. On the integration, we're pleased with where it's going. Any time one imagines getting into reorganizing an entire company, 26,000 employees, you plan for the best but you can't know exactly how that's going to go. It was met with a high degree of enthusiasm. Of course, we spent a lot of time getting ready and planning for this all around the world, but for those of you who went to our Capital Markets Days in London and then in Stanton, Minnesota last year, you've got a sense for that, you ask can I give you a couple of examples of things that are going well. One of the things that we did after the Capital Market Days was we took that same experience, call it, demonstration days and we're doing that experience around the world and all of the territories, and we're inviting of course our employees, but also other stakeholders including customers to these events. Literally thousands of people have gone through the same experience that those of you who attended these events. Of course that's going to help now accelerate the overall understanding across the Company about what we're trying to do here, but it's also giving us an opportunity to have some exposure with customers. Again, the reflection that we're getting back from this is people can see the potential of this strategy to make a difference. You say, what's not going as well as expected, again, overall this thing has gone way better than we thought, I think, but because it's happening so quickly because people are wanting to get very quickly into what are the new ways of working, what you want me to do differently and we're just finding that we're having to pick up the pace in every respect to cut over to the new system. I can assure you that people in the information technology, the IS departments are very busy making sure that everybody gets integrated sales reports. The move to having an integrated offer and being sure that we can fully enable that has got us busy, but it is a good busy, as about all I can say to that. John, on CP pricing.

John Ramsay - CFO: On CP pricing, the figure is up 4% in the quarter as well as the Group number. I mean, clearly, that's a pleasing start opposite our target of 2% to 3% for the full year. The other pleasing aspect of it is that the 4% is made up of contributions from all the regions. So the price increase is widespread across the Group. But we still have a long way to go. We've still got the Latin American season, the mean season ahead of us, although that's looking reasonably positive, given the environment in which we're in, but nevertheless there's a long way to go at this stage, but I would still be at the target of 2% to 3% for the full year.

Operator: Patrick Jousseume, Societe Generale.

Patrick Jousseume - Societe Generale: Following a question on actually soybean seeds in North America. I understand the corn business did pretty well but the soybean must have gone down. Can you quantify a little bit? And I guess it is because of Roundup Ready 2 rollout, but can you be able to put some colors on that?

Michael Mack - CEO: Well, first of all, we can't know how it's going to end. As I

said earlier we are always a bit cautious about saying how things are going to finalize when the season is all over. So I don't know that with precision. Two things about this, first, acres are down Patrick and we believe they are going to be down from every single indication that's the first thing and yet having said that, I noticed just yesterday in some of the media clippings that come through that some farmers are headed over toward the soybean. So, I think we can't really be definitive until the season is over, but it looks to be that soybean as the acres are going to be down, one. Two, yes, we're converting over to Roundup Ready 2 technology and we got that right now in bulk of 30%, 35% of our portfolio and we're converting that as quickly as we can be the option of Roundup Ready 2 technology. Now, this has been my observation of the last two seasons has got off to a bit of a slow start again, not making a comment here opposite the competitors, but it seems to have picked up the pace, but we're licensee of Roundup Ready 2 and we're operating that into our portfolio. So I just regard that as really a phasing matter.

Patrick Jousseume - Societe Generale: And will it impact elsewhere in the world in this technology rollout?

Michael Mack - CEO: The Roundup Ready 2 technology again, I'm not in a position to characterize the big marketing intentions of that, remember (we're) licensees (indiscernible) for that herbicide technology. It's to best of my understanding that that will be marketed in other places of the world that have soybean to the extent that it is adopted in Brazil for example Syngenta would be a licensee of that in Brazil and we do have a soybean seed business known there and you can see from our soybean overall numbers, we got a very strong offer between the seeds, the crop protection as well as the seed treatment, so. Okay, with the big markets of course, for soybean are North America and LatAm and we intent to be very active in both of those.

Operator: (Lucy Watson, Jefferies).

Lucy Watson - Jefferies: Two questions on VIPTERA, was VIPTERA at 25% to 30% at your corn portfolio. I'm wondering if this penetration is at all impacted by the availability of seeds supply or is it period demand driven metric and as a follow-up to that, can you provide any sort of an update on expected timing for key import approval for VIPTERA? Then one separate question, I believe your press release says corn seeds sales were up 16% in the U.S. in the quarter. I'm just wondering what the breakdown was between pricing volume and what your price outlook would be for seeds for the full year?

Michael Mack - CEO: Fine, I mean on VIPTERA I mean, we've known for a long time Lucy that this was going to have great receptivity, because we were able to see the efficacy of the product more in opposite these broad lap adapter in (pest) pressure and indeed it is really getting a lot of a very favorable reviews by grower. So, that 25% to 30% is a number that is pleasing to us we're selling as much as we have to offer in the portfolio and we'll get that up to that 50% just as quickly as we can. So, I think the demand is driven by the underlying quality of the product to help drive yields and they were getting ready to also get that incorporated into our portfolio to its fullest. On the import approval, it has import approval in all of the

major markets. There isn't outstanding approval for China, which we expect to have quite frankly within the matter of a couple of days. That remains on track for approval to the very best of our ability. Of course, the regulatory authorities are not something that we can handicap definitively, but we know of no issue with that whatsoever, and finally, John on the full year pricing for seeds and the mix effect of that, I mean, how could we best characterize them?

John Ramsay - CFO: The simple answer is the 16% refers to North American corn excluding the royalty effect in terms of growth and price within that is between 5% and 10% and the rest is volume.

Lucy Watson - Jefferies: Did you have an update on your outlook for pricing seeds for the full year?

John Ramsay - CFO: Pricing seeds for the full year, I mean we did see it not too dissimilar from where it is in the first quarter, but it's a long way to go, but I would say not dissimilar from Q1.

Operator: Amy Walker, Morgan Stanley.

Amy Walker - Morgan Stanley: I would like to ask, firstly please, you talk about acreage impacts on soybean seed sales, but Monsanto managed to put through a 12% growth in North American soy seed in its most recent quarter versus your sales being down this quarter, does that mean that you're actually losing share in U.S. soy seeds? The second question is, can you give us a bit of an indication on what you're seeing in your pricing developments sequentially quarter-on-quarter, particularly in crop protection? Given that you are comparative in pricing and costs are going to get tougher through the year, are you expecting to achieve further to control price increase since we're able to achieve the 2% to 3% guidance? Lastly, do you think there is a risk of a pull forward in demand from Q2 into Q1 based on the comments you made about more the non-wet conditions you seen in some regions in this quarter?

Michael Mack - CEO: Yeah, maybe John can help on the quarter-to-quarter comparison for pricing and the first question Amy again, I have to impress upon you, I'm not prepared to call the full season on either corn or soybean until the season is in and planted I can't know what that's going to be and I wouldn't want to comment on Monsanto's results or their outlook on their market share evolution. And it's as much as we are transitioning to Roundup Ready 2 technology and excluding for the acreage impact of soybean, if we end up having some slippage on market share for soybean on account of the transition to new technology that wouldn't be a complete shock to me. So, I'm not here today saying we have a high degree of confidence of market share evolution, but I'm here to say that there is nothing underlying about our soybean offer, our soybean germplasm that gives me any concern. Keep in mind that big thing is that corn is the profit driver here and I think the corn seed sales up 21% versus last year talk to the investments that we made and they are all of the money that we've been spending over these years has been to completely renovate and make unique in many respects of course, this corn offer and I have said now for a number of years, it's portable to other countries and it's portable across other crops and we continue to get all of the evidence that we

need to do that. So, corn is the big profit driver for us here and I don't know what our soybeans are going to land we have to say that it's -- the season is still in front of us. On the pull forward to look know I think the -- what we said on Q1 opposite more seasonal for France as it was more a delay from Q4 into Q1 as opposed to anything being pulled up from Q2 into Q1. So, no there is no to best of our knowledge there is no material impact on the sales momentum of Q1 as being part of -- as it part of Q2. John, again this pricing question...

John Ramsay - CFO: Yeah, that the price evolution, I think we're targeted 2% to 3% for the full year, and you're right to say as we went into the second half of 2011 than we did have and we started to put some price, price increases in place. So, the comparison for the full year will have to take account of that and the absolute magnitude really depends on Latin America are actually on what decisions we make going into the season and we've not yet decided and how that will play out, but at the present time we would see some opportunity for further price increases in Latin America and just given the evidence of the first quarter and the continuing buying conditions with the level of farmer income then that we're experiencing there. I mean taking that all together 2% to 3%, I think is a very solid target.

Operator: Thomas Gilbert, UBS.

Thomas Gilbert - UBS: Just to wrap up two questions (Plenus) in Latin America, can you give us an idea now that the season is trying to close either the absolute size of sales or the growth rate? The second question, again Latin America, could you update us what percentage of barter sales is in Brazil or in fact the entire continent? Can you confirm that the dry weather will not lead to any product being returned to you because your invoice is based on consumption? Maybe the same question to the distributors down there, are they as safe from any profit hits as you are from returned product that has not been sprayed at farm level?

Michael Mack - CEO: Thomas, the first on (Plenus) two things about that. We informed you all last year that this product is very unique. We're putting in place capacity, of course, and we are making the (Plenus) offer, and its acreage potential is vast, which you know and we've already taken in a way forward sales of several \$100 million, where people have expressed a commitment to take their sugarcane plantations to this technology just as soon as we geared up to fully supply it. So, that remains extremely encouraging. Of course, along the way, we're able to significantly expand the sales of our products into sugarcane, whether it would be insecticide or the herbicide. So, that's going quite nicely. John, I think the second question was broadly all around risk and get better management therein.

John Ramsay - CFO: Yeah, absolutely I can tell you what (indiscernible) this is a season where we're very pleased to be on the consumption model, because the momentum coming out of the first part of the season going into the second was strong and then of course, there was the drought, now that probably does need that in Southern Brazil and in places in Latin America there will be some higher inventories at distributors, but not that it affects us and so far as our profit is concerned, because as you see on a consumption basis. As respect of the distributors, I think it will vary as a broad statement the distributors generally get

protected by the principal as a broad statement, although and that may result in some working capital expansion from our competitors et cetera, but distributors tend to be largely protected because of the principal. Coming back to the question of barter, about 40% of our sales are on barter and as you'll find in Brazil, about 60% of our sales are on secured terms, one way or another including barter on credit and barter for cash and indeed our cash sales there at last season increased significantly, just represented actually of the amount of money that's going around in that part of the world in terms of the levels of incomes that farmers are able to command.

Thomas Gilbert - UBS: Just the 40%, John, that was the number for the Continent, that's Brazil overall?

John Ramsay - CFO: That's Brazil. The barter in Argentina is at a similar level, but we're not planning to operate barter in the markets outside of Brazil and Argentina at this time.

Michael Mack - CEO: Ladies and gentlemen, that concludes the call today. Of course, if you have other questions or we weren't able to get you today, I apologize for that. Of course, you can contact Jennifer or (Lars) in Investor Relations, and again hope that some of you would be able to join the May telecast and otherwise look forward to talking with you at the half year in July. Thank you.

Operator: Ladies and gentlemen, thank you for your participation. This concludes today's conference. So, you may now disconnect your lines. Thank you.