Half Year 2014 Results TRANSCRIPT

Contents

Corporate participants	3
Presentation	4
Questions and Answers	17

Corporate participants

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Presentation

Operator

Thank you for standing by and welcome to the Syngenta Half Year 2014 Results call. At this time, all participants are in a listen only mode. There will be a presentation followed by a question and answer session at which time, if you wish to ask a question, you will need to press star one on your telephone.

I must advise you that this conference is being recorded today, Wednesday the 23rd of July, 2014. I would now like to hand the conference over to your first speaker today, Jennifer Gough. Please go ahead, (sir).

Jennifer Gough

Good morning, and welcome to the call. The presentation today is hosted by (Mike Mack), CEO, and John Ramsay, CFO. The slides to accompany the presentation are available on our Web site Syngenta dot com.

Let me first draw your attention to the Safe Harbor statement on slide number 2. This presentation contains statements which may be subject to risks and uncertainties that could cause actual results to differ. We refer you to Syngenta's publicly available filings with U.S. SEC for information about these risks and uncertainties.

And with that, we'd like to start the presentation on slide number 3. I'll hand you over to Mike.

Mike Mack

OK, thank you, Jennifer, and good morning, ladies and gentlemen. We made good strategic progress in the first half of 2014, but financial performance was below our initial expectations for two reasons; a late season in North America and adverse currencies.

Weather conditions were favorable in Europe but very challenging in North America where the delay in plantings significantly reduced crop protection usage. From the growers' point of view the U.S. season now looks to be a decent one to the extent that plantings have caught up and crop condition is good.

However, the strong outlook for production globally following on from a good year in 2013 has put additional pressure on crop prices in recent weeks. With grain demand growing steadily in line with long-term projections, sharp swings in supply, usually driven by weather, give rise to periods of volatility – a recurrent feature of this industry but one which, as we've seen before, tends to even out.

Overall, integrated sales in the first half were up by four percent at constant exchange rates with Europe, Africa, and the Middle East up seven percent and North America down six percent. Emerging markets including Latin America, Asia Pacific, and Eastern Europe show continued momentum with sales up 11 percent.

Adverse currency movements in a number of these emerging markets were partly offset through our determined focus on price. Underlying pricing, excluding the currency related adjustments and glyphosate was firm, with an increase of two percent. While reported results were affected by the currency headwind at constant exchange rates, margins improved.

Please turn now to slide 4. Let me start with North America where the prolonged cold temperatures in the U.S. delayed the season. Wet conditions at sowing time reduced pre-emergent herbicides sprays and the level of disease and insect pressure was lower. The reduction in corn acres also had an impact on our sales. In Canada, a decline in cereals acreage was exacerbated by flooding in the second quarter. And in this difficult environment one bright spot for both territories was the growth in seed care, driven by our new SDHI product VIBRANCE.

In Europe, Africa, and the Middle East, the weather situation was altogether different. An early start to the season led to high weed, disease, and inset pressure. The strongest contribution to growth came from fungicides with broad growth across the portfolio and rapid expansion of SEGURIS, another SDHI product. The CIS countries saw double digit growth despite the political uncertainty.

Asia Pacific saw broad based expansion across the region. This came from developed as well as emerging markets with rainfall in Australasia increasing grower confidence there. Among the emerging markets, performance in South Asia was particularly strong, reflecting the success of our vegetable protocols and of our corn hybrids.

Finally, Latin America, which saw good growth in the low season. Fungicide consumption was reflected in sharp increase in sales. In Brazil, insecticide sales were boosted by the rapid spread of the *helicoverpa* caterpillar, which is becoming the latest case study of just how quickly new pest pressures can develop and which more than offset reduced weed pressure owing to dry weather in Brazil.

Let me now hand you over to John for a detailed review of the financials. John?

John Ramsay

Thank you Mike. Let me take you through the key points starting on slide 6. Reported sales were up one percent at $8.5 billion. Integrated sales were up four percent at constant exchange rates comprised of positive price and overall flat volumes.

Good volume growth in three out of four regions was offset by lower sales in North America.

EBITDA was three percent lower at $2.1 billion. At constant exchange rates, the margin was up 60 basis points to 26.6 percent.

Net income at $1.4 billion was one percent lower. Earnings per share, stated before restructuring and impairment, were two percent lower at $15.60.

And please turn to slide 7 to understand our sales progression.

Price contributed $301 million overall. This figure includes the price contributions from TOUCHDOWN of $70 million, shown on the chart, as well as increases to offset currency depreciation at $60 million. The underlying price increase for the first half is therefore around two percent.

The volume bars show the broadly equal contributions from Europe and Latin America. Performance in Asia Pacific was also solid but, disappointingly, these strong performances were almost entirely offset by the decline in North America. Lawn and garden sales were marginally lower in the first half. And the negative impact of currency on the topline was $195 million.

So, please turn now to operating income on slide 8.

In the first half, price contributed $231 million to operating income. And this figure excludes the contribution from TOUCHDOWN of $70 million, I just mentioned. As a reminder, we recovered glyphosate cost increases in price, broadly on a dollar for dollar basis.

Savings from our current operational efficiency program contributed $60 million.

The positive contribution from costs of goods sold includes $50 million benefit from the lower seeds production cost. And this benefit was partly offset by a $20 million charge from running plants below capacity. This follows the high level of crop protection inventory at the end of the Latin American season in 2013. For the full year, I would expect this figure to be in the region of $70 million largely as a result of the lower North American sales this year.

Cost inflation of $85 million came mainly from the emerging markets and represents an increase of just over three percent on the total cost base, including fixed production costs.

Growth investments to support the integrated strategy, both in R&D projects as well as new business models, amounted to $80 million. For the full year, I would expect total growth investments to be around $170 million with R&D peaking at the upper end of our target of nine to ten percent of sales this year.

The growth impact of currency and operating income was $206 million but the net impact was lower as I will explain in a moment.

The negative movement in other reflects the non-repeat of a gain realized on changes to the Swiss pension scheme in the first half of 2013.

Overall, operating income was down five percent to $1.8 billion. On a currency adjusted basis, the operating income margin increased by 60 basis points to 22.9 percent.

Please turn to slide 9.

The chart shows you the period of currency volatility since 2012, in particular, the weakness of emerging market currencies.

In 2014, the sharp depreciation of the CIS currencies coincided with our peak ordering activity. In Ukraine, we have largely recovered currency losses through in season price increases. And I expect further price recovery in the Ukraine and Russia next season.

Over the same period, the Swiss franc and pound sterling have strengthened. A considerable proportion of our cost base is in these currencies and this has also impacted profitability adversely. In the first half of 2014, the gross currency impact on EBITDA was 203 million adverse.

Net of price recovery, the adverse impact is around $140 million. For the full year on the basis of currency exchange rates, I forecast an adverse impact on EBITDA of 100 to $120 million on a net basis.

On the next two slides, I will take you through the evolution of sales and profitability across the four regions. The currency dynamic I have just described is a significant feature of the reported margin evolution with adverse impact in all regions except Latin America. Therefore, in order to avoid repetition, I will not explain it for each region.

Let me start now with the Northern hemisphere regions on slide 10.

Europe, Africa, and the Middle East benefited from an early spring, which drove increased crop protection intensity across the region. In the European Union the suspension of neonics led to lower sales of CRUISER which were partly substituted by sales of older chemistry. Sales of high margin sunflower seeds were lower owing to acreage reduction mainly in Southeast Europe.

The North America margin includes the negative impact of significantly lower volumes as a result of the poor weather. At the same time, this season has seen a significant shift from corn to lower input intensity soybeans. Despite the challenging season, the business generated solid price increases in the first half.

Turning now to the other regions on slide 11.

The first half margin in Latin America is not representative of the full year because it is low season. Growth in high margin activities such as fungicides and insecticides combined with action to cut back on TOUCHDOWN volumes had a beneficial impact on profitability. This enabled the business to fully absorb continued growth investments.

In Asia Pacific, we saw double digit growth both in the developed and emerging markets overall. In Australia, normalized weather patterns led to strong growth in the crop protection portfolio. China delivered mid-teens growth as the adoption of modern crop protection technology continued. Overall, Asia Pacific maintained profitability in a reported basis.

Please turn to slide 12.

The Lawn and Garden business generated double digit growth in emerging markets, albeit from a small base. In developed markets, Flowers sales were lower owing to the late spring in North America and a continuation of the subdued consumer environment in the Eurozone.

The currency impact on EBITDA margin was 160 basis points. On a constant currency basis, the margin in the first half was slightly lower at 20.9 percent.

Our strategy of focusing on elite genetics and high value chemistry has resulted in increased business quality. Our EBITDA margin target for this business is 20 percent in 2015. Despite 2014 being challenged by adverse currency impacts, it is my belief we're still on track to deliver the target in 2015.

Slide 13.

Crop protection sales were up five percent despite the late season start in North America. The chart shows that we have maintained a five percent average first half growth rate since 2009. Selective herbicides increased two percent with strong growth in Europe and Asia Pacific more than offsetting lower sale in North America and to a lesser extent, Latin America.

Nonselective herbicides were up ten percent. As I mentioned earlier we cut back on TOUCHDOWN volume in line with a focus on integrated offers and glyphosate resistance mixtures. The resulting volume reduction was more than offset by significant price increases together with strong growth in GRAMOXONE.

Fungicides were up eight percent and this reflected solid growth in Europe and in Latin America led by SEGURIS and AMISTAR respectively. North American sales were lower due to the late season.

In insecticides, growth of ten percent reflected an increase of more than 50 percent in DURIVO. Ongoing global growth in ACTARA also contributed significantly.

Seed care sales were seven percent lower. In the European Union, the impact of the neonic suspension resulted in $32 million in lost sales. In Latin America, sales of seed treatment to other seeds companies were also lower.

Turning now to slide 14 which shows the sales of new products up 65 percent in the first half.

CLARIVA, a biological nematicide seed treatment has been successfully launched on soybeans in the US for the current season.

FORTENZA is our new insecticide seed treatment which has been rolled out in Argentina for use on soybean, corn, and sunflower.

Outlined in orange, you can see our SDHI family of products, all of which are gaining momentum this year. VIBRANCE seed treatment sales in North America are up 33 percent. And the product has now been launched in all regions.

SEGURIS, which controls a number of major diseases in cereals grew by more than 60 percent in Europe in the first half.

In Brazil, we have seen strong early demand for our new SDHI fungicide, ELATUS, for control of soybean rust. In early July, we passed another milestone with registration in Argentina. Sales of this product will feature in the main season starting in September of this year and Mike will tell you more about the ELATUS launch preparations in just a moment.

So, please turn now to seeds on slide 15.

In the first half, reported Seeds sales were one percent lower. On an adjusted basis excluding the Dulcinea divestments in 2013 it would have been one percent higher.

Corn and soybean sales were up two percent with corn sales unchanged despite lower acreage in both the US and Latin America. Strong growth in soybeans in the US reflected the completion of the portfolio transition to the Roundup Ready 2 technology platform as well as increased acreage.

Diverse field crop sales were four percent lower and this reflected the reduction in sunflower acreage in Southeast Europe as well as performance issues in our sugar beet portfolio in the US.

And finally, Vegetables sales were three percent lower on a reported basis. Adjusting for the Dulcinea divestment, sales were up five percent reflecting strong growth in emerging markets.

Slide 16, gives you the bridge from operating income to earnings per share. Operating income, I've mentioned earlier was five percent lower.

Net financial expense at a $100 million was slightly higher due to the increased hedging costs associated with emerging market growth.

The tax rate was unchanged from the 2013 full year level at 15 percent but lower than the 18 percent at the half year last year. And for the full year, I would expect the tax rate to be similar or slightly higher.

Restructuring costs for the half year were lower at $45 million.

Earnings per share were two percent lower at $15.60.

Free cash flow, now on slide 17

The seasonality of our business means that we always experience significant working capital outflow in the first half and this is what underlies the $1.6 billion outflow you see on the chart. Free cash flow generation occurs in the second half as receivables are collected.

The box in the top right shows the cash flow movement contributed by inventory. In the first half of 2013, inventory build amounted to $35 million from the start of the year. In 2014, we have reduced inventory by $393 million – a swing of $428 million. As the Latin America season progresses and despite the significant volume shortfall experienced in North America, for the full year, we target a reduction of period ended inventory as a percentage of sales by two percentage points compared to prior year.

Capital expenditure totalled $312 million in the first half and for the full year including expenditure on intangibles, I would expect around $750 million. This reflects increased investment to meet growing demand in the emerging markets.

Cash flow for restructuring was slightly lower than prior year and financing tax and other amounted to $280 million, which is lower than the income statement charge.

The negative free cash flow before acquisitions of $113 million was over $200 million better than the prior year.

Acquisition expenditure of $37 million was similar to last year.

Owing to the impact of currencies and the North America season, my free cash flow projection for the full year is now $1.3 billion before acquisitions.

Please turn to slide 18 for more detail on receivables.

The blue line on the chart on the left shows how our presence in emerging markets has increased since 2005. The green line shows that during this period, receivables overall have been well controlled and remain broadly stable as a percentage of sales.

Strong credit management capabilities and processes are well embedded in the commercial functions of our business. And this has enabled us to develop innovative financial solutions such as barter and distributor financing arrangements. Further, our intimate connection and understanding of the customer has seen us able to secure receivables where necessary in order to minimize risk.

The culture of risk management in the company underpins our collections record as evidenced by a reduction in DSOs in Southern Europe in 2013.

We have proven experience of operating in high risk countries. For example, in Argentina, we have proactively constrained sales and increased securitization. And in Ukraine we have collected 100 percent of 2013 receivables.

Before handing you back to Mike, let me conclude with the outlook on slide 19.

As the chart shows, the contribution of second half to full year earnings has increased historically due in particular to the growing importance of Latin America. Significant non-repeating events in 2013 caused a temporary break in the trend. Looking ahead, in 2014, I would therefore expect the percentage contribution to increase when compared to 2013.

In the second half, we expect an acceleration of sales growth for the integrated business. The first half has already established portfolio momentum in Latin America. Our full year sales growth expectation of six percent at constant exchange rates for the integrated business remains unchanged.

The gross margin will improve in the second half as the $170 million inventory provision incurred in the second half of 2013 is not repeated.

I expect the net currency impact on EBITDA to be positive in the second half by around 20 to $40 million.

In 2014, the total restructuring charge to the income statement as well as the associated cash outflow will be around $200 million. And we are on track to deliver savings from our program of $115 million.

In a moment, I would like to talk to you about cash generations in the longer term. But first, let me hand you back to Mike for an update on our strategy.

Mike Mack

OK, thanks John. Please turn now to slide 21, which we first showed you in February this year. The most immediate gains from our integrated strategy have come from level one in the icon, leveraging the combined field force. In the territories that have been most successful, we identified some common themes.

A broad portfolio covering multiple crops; superior sales force capability, needs based grower segmentation, and strong channel partnerships. Success in these areas creates a platform for driving level 2 and level 3 offers. The next slide give you more detailed analysis of where the strategy has worked best so far.

The slide shows you the evolution of market share for each of our 19 territories over the past three years. The horizontal axis shows the change in crop protection market share and the vertical axis shows seed share. On a global weighted average basis, we've registered modest share gain in both crop protection and seeds.

The territories contained within the orange oval have succeeded in both businesses and represent more than 40 percent of group sales. Brazil and South Asia are included in the oval because each has experienced one off effects in crop protection. Brazil saw a sales shortfall in 2013, owing to the delayed registration of ELATUS, while sales in South Asia have been reduced by range rationalization.

These effects are both now expected to reverse, resulting in share gain. Overall it's the emerging markets shown in blue that have been clear beneficiaries. These are high growth markets driven by intensification and technology adoption.

Developed markets shown in green have with the notable exception of Iberia proved more challenging by virtue of their more mature agriculture systems. The two outliers in the bottom left corner, Canada, and E.U. North have been affected in particular by headwinds in the cereals market. I shall come on to these developments in the cereals portfolio shortly.

We've learned a lot over these past three years and have built these learnings into the commercial pillar of our operational leverage program. In addition, a number of portfolio and marketing developments give us a clear trajectory for shifting more territories into the top right corner.

But first, two slides that show how both our crop and seeds portfolios have been generating market share gain. Slide 23.

Syngenta is the seeds market leader in four of the five territories you saw positioned in the top right corner of the prior slide. In all five, seeds market share has increased further since the launch of our strategy as shown now here in the upper chart. The lower chart shows that crop protection share has also grown.

Seeds are the growers' first decision point and they create a connection which expands the opportunity for crop protection. We've been helped by the breadth of our seeds portfolio. In all of the territories shown; corn, sunflower, and vegetables have all contributed to the share gain. This breadth is matched by our crop protection portfolio and maximized through a crop based approach.

However, a leading crop protection offer can on its own also drive share gain as the next slide shows.

The chart on the left shows the growth in our sugarcane business in Brazil over the last five years. This has been achieved despite the recent market conditions and is reflected in a market share increase of almost 12 percentage points. The increase has been driven by the agronomic protocols based primarily on crop protection which are illustrated on the right.

These cover every phase of sugarcane production, and deliver a ten to 20 percent increase in yield. In addition, our crop based approach has created strong grower relationships which have been further developed through our work to bring planting concept to market. And this morning we announced a breakthrough which should now enable us to reach the potential of PLENE on a commercial scale.

Slide 25.

We've signed an exclusive license for a new technology called CEEDS which will allow the production of encapsulated sugarcane plant tissue in a greenhouse environment. This will enable higher multiplication rate and lower unit costs. It will leverage our existing PLENE capabilities and infrastructure using high quality plants produced at our biofactory in Itapolis.

The new PLENE will be complementary to PLENE EVOLVE and PLENE PB, launched last year, which are designed for nursery production and gap filling. The buds that you see here on the slide have a longer shelf life than the original PLENE concept which should resolve the logistics challenges we encountered.

New PLENE means a step change in planting speed and quality with a target market comprising the roughly two million hectares of Brazilian sugar cane, which are replanted each year.

Turning now to the developed markets and to the ways in which we can grow share starting with Western Europe on slide 26.

In the European territories, we've been hampered over recent years by a lack of innovation notably in cereals and this situation has now changed. Firstly, we're leveraging our hybrid barley offer and continue to improve performance through breeding advancements.

The chart on the left shows the continuous improvement in yield versus standard varieties from new launches in Germany and France. The chart on the right shows you the acreage projection for the HYVIDO offer with growth in existing and new markets. The offer incorporates a crop protection protocol for which we are now offering a cash back yield guarantee. In the target sales for HYVIDO is over $500 million.

Slide 27. Our crop protection portfolio shown on the left now includes a number of new products which will play an important role in reinforcing our market share in Western Europe. While we came to market with SDHIs later than our competitors, SEGURIS and BONTIMA are now well established. VIBRANCE has just been launched in France. And we're targeting a Solatenol launch now in 2016.

The right-hand side of the slide shows that in cereal seeds, we've stepped up the pace of acquisitions and collaborations, with three announcements in the first half of this year. The acquisition of PSB and the collaboration with AB InBev are a continuation of our focus on meeting value chain requirements in both wheat and barley.

By acquiring Lantmännens winter wheat business in Central Europe, we've further expanded our germplasm base. We are already the world leader in cereal seeds and, while the market size is currently small, we believe there's significant scope for expansion particularly through the hybridization of wheat.

Turning now to North America on slide 28. This is the large and distinctive market characterized by the relative importance of seeds compared with crop protection and seed care. Our combined market share is around 15 percent, which is unchanged since the launch of the integrated strategy.

As you already saw, this represents a slight gain in crop protection and a slight loss in seeds. We've not yet been able to fully reap the benefits of our leading corn trait technology, most recently because of the headwind from the Chinese approvals process.

In addition, with 70 percent of our U.S. corn seeds sales going through seed advisors who do not sell crop protection, the opportunity to leverage our chemical portfolio is thereby more limited. Our future focus in seeds is clear with two priorities; the reinforcement of our seed advisor network, and the promotion of our unique and differentiated technologies.

In North America crop protection market, the growing need to address resistance actually argues for a growth rate which could well surpass that of the seeds market. And our portfolio is ideally positioned to maximize this opportunity.

Slide 29. Over the next five years, we plan more than 60 new product introductions across North America which marks an upturn in our innovations cycle. In seeds, our capacity to innovate has already been demonstrated by differentiated seeds technologies including ENOGEN, ARTESIAN, and DURACADE.

In crop protection, we expect to launch two major new active ingredients in the next two years; ACURON and ELATUS. ACURON will build on our leadership in corn alongside the existing CALLISTO family. At the same time, the importance of solo glyphosate in the portfolio will diminish as we drive our leading position in mixtures for both corn and soybean in a context of widespread glyphosate resistance. We'll build on our strong seed care position with VIBRANCE and CLARIVA which will further augment our whole farm offers.

Slide 30. The crop protection potential in North America reflects a phase of accelerated delivery in our global pipeline which has total peak sales of potentially over $2 billion. 2014 is a milestone year now with three major new introductions. These products alone are expected to generate peak sales of more than $1.1 billion. The most significant is of course ELATUS which is being launched in time for the Brazil season in September.

Slide 31. Our Brazilian team has been driving the launch at full throttle, with more than 1,000 sales people behind it. To date, they've reached some 90,000 customers and the response has been overwhelmingly positive as illustrated by the customer testimonial, top right.

This gives us every confidence that the launch of ELATUS will enable us to resume the trend of share gain in Brazil starting in the fourth quarter of this year. I shall now hand you back over to John to conclude the presentation with a review of our value creation focus.

John Ramsay

Well, thank you, Mike. Let me take a moment to remind you how we at Syngenta think about value creation in the longer term and the objectives we have set for ourselves.

Please turn to slide 33 which shows you the components behind our cash flow return on investment target of over 12 percent.

The cash margin will be determined by the EBITDA margin and the tax rate. We have a set of target of 24 to 26 percent for the EBITDA margin in 2018 compared with 19.7 percent in 2013. Over the same period, we will work to achieve the optimal sustainable rate of taxation. Our aim is to improve the asset turn through both fixed and working capital efficiency.

In addition to the 2014 targeted two percentage point reduction in inventory as a percent of sales, we also aim to structurally reduce inventory by a further $600 million between 2015 and 2018.

Tangible CapEx will remain below five percent of our sales and our assumption for M&A spend is $200 million a year.

These objectives I've just described have been said with the intention of generating growth accompanied by continuous improvement in cash conversion. I will now cover the more significant elements starting with accelerating operational leverage program on slide 34.

This is the reminder of the program that we announced in February. The targeted contribution to the EBITDA margin of $1 billion in 2018, will lead to a five percentage point margin improvement in addition to the working capital release I just mentioned.

The total cost of the program will be $900 million over the period to 2018. And you can see how this is phased annually below the bars on the left.

Project teams are already working on the implementation of this program across the company and we are on track to deliver savings in production, commercial operations, and R&D with a significant amount being realized in 2015.

Turning now to working capital on slide 35. The bars show you the evolution of working capital components. The line in blue shows you the volatility of year-end working capital, which at the end of 2013 was close to its previous peak in 2009. The average of the year-end working capital to sales ratio over the period was 33 percent.

In both 2009 and 2013, exceptional factors caused a sharp increase in inventory. On the basis of the last eight years therefore, we can define inventory variability as being plus or minus three percent of sales or around $500 million. Our aim of maintaining balance sheet flexibility has been set with this potential for volatility in mind.

Finally, the uses of cash on slide 36. In 2010, we instigated a shift in our cash return to prioritize continuous dividend growth over share buybacks. The consistency of our approach since then is illustrated by the steady increase in the dividend paid shown in the light green in the bars on the chart.

The dividend compound annual growth rate over the period is 19 percent. The dark orange line on the chart represents free cash flow generation. And you can see that it is variable on an annual basis. This is driven largely by the inventory variability I just described. Despite the variability, the trend line in free cash flow generation is increasing.

If you now compare the dividend progression with the recent level of free cash flow generation, you can see that we have leveraged the balance sheet in favor of the dividend in anticipation of future higher cash flow generation. Our three year average payout ratio is around 50 percent and this is very strong in our industry.

In conclusion, we have been able and we want to continue to be able to manage working capital variability as well as take advantage of acquisition opportunities while pursuing continuous increases in the dividend. With that, I'd like to thank you for your attention and we will now open the line for questions. Operator?

Questions and Answers

Operator

Thank you. As a reminder if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel the request, please press the hash key. And we have our first question from Tony Jones of Redburn. Please ask your question.

Tony Jones – Redburn

OK. Yes, and start again; so, I've got a couple of questions. Firstly on inventories in North America, how does that look in comparison to last year especially for some of the higher margin products?

Then, also in terms of pricing in the second half with, with commodity prices weakening. Is there any evidence or any measures to provide some distributed discounting to stimulate demand? And then finally, just on CapEx, the 268 in the first half; and then the, the guidance on the four or five percent of sales. Could you provide a bit of an indication what some of the major components of that actually are? Thank you?

John Ramsay

OK, Tony, in terms of inventory, I presume you're, you're talking about in, in market inventory value?

Tony Jones – Redburn

Yes, yes.

John Ramsay

– For North America?

Tony Jones – Redburn

Just, just worried about whether their inventory (is still) (inaudible) (the channel).

John Ramsay

Yes, it's difficult – it's difficult to say. It's difficult to say exactly where inventories are. And clearly, we're very conscious of you know the, the market declining. And ensuring that we're not stopping the channel unnecessarily.

In fact, I think we're even getting some indications that distributors have been you know circumspect themselves in terms of the levels of inventory. And perhaps reducing inventory as a consequence of you know improving the cash flow of this – in this year which has been, been very difficult. So, at this stage we've got no indication of anything to worry about in market inventories in North America.

Pricing in the second half, well we don't really intend to try and you know get into – into discounting. Bear in mind that the, the Northern Hemisphere is largely over. It's about Latin America. And frankly the crop price effect on incomes for farmers in that part of the world has not been as pronounced as it has been in, in the Northern Hemisphere. So, we you know we expect to continue with our current pricing policy in the second half; which is really – 50 percent of our sales in the second half are about Latin America. And it's all really dependent on that in terms of our second half performance.

In terms of CapEx– and as we announced a few years ago that there would be you know a high level of CapEx as we largely associated with expansion in emerging markets including assets on the ground where currently we are very asset light. But second to that, you'll be aware that we're entering a period of you know new product launches which as you know are Solatenol and we've got Bicyclopyrone coming as well. So, we're having to put capacity in the ground for these new active ingredients; which is a significant portion of the total.

Tony Jones – Redburn

Yes, and thanks, just as a quick follow up then. Is it right to think then that the majority of that CapEx is relating to new blending or active production. So that it will help generate the organic growth. So, it's not …

John Ramsay

A significant portion of it is indeed that, Tony, yes.

Tony Jones – Redburn

Great, OK, and thanks very much.

Mike Mack

Thank you.

Operator

And the next question is from Sophie Jourdier from Liberum. Please ask your question.

Sophie Jourdier - Liberum

Good morning, I've got a, a couple, please. First of all, I just wondered. I mean, I was bit surprised you've kept your full year sales growth target unchanged at six percent. Because I guess, you, you probably hoped that at the beginning of the year to do better in the first half (than this) zero volume growth you've got.

And a lot of the price increases seem to be due to offsetting the currency effect. So, I just wondered you know is there you know? And what have you seen in period? I mean, is that you've – and I guess you've increased your expectations for the second half by default despite a weaker (crop press) environment. I'm just a bit confused by that. And I wondered whether you could help me perhaps in terms of what you're seeing on ELATUS or anything else that, that might have changed the second half? That's the first question.

And the second question is just (want to know if) you could give us a bit of an update as to how the VIPTERA traits performed in the first half given the regulatory problems you're having? And just an update as, as to where you stand in that situation at the moment, and thanks.

Mike Mack

So, good morning, Sophie. And look, when we came (out) with the six percent. When we came out with the six percent sales target in February of this year. And we were asked a lot about why six percent as opposed to eight and what, if anything does that have to do with crop prices at that time? And we felt like six percent properly reflected not only the potential all around the world. But we're a little bit more circumspect about, about the pull back in crop protection during the second half of 2013. And at that time, we also reminded people that mother nature counts probably for more than the crop protection there than crop prices with respect to the crop protection business; which, of course, is the biggest part of our business. So, I think exhibit A is in the first half of this year is just that; which is strong weather in, in Europe got that off to a galloping start. And seven percent indeed higher than the six percent that we forecast for the year. North America, late season and that fell below expectations.

But with Asia Pacific at ten; you know Latin America at 11; and you know the final slide, of course,in my – in my portion of the presentation - ELATUS, there's just a lot to go for there. It's, it's a terrific product. Of course, you saw it yourself last December. And that the launch is ready to go. We don't have a registration in front of us. We've got it in hand. And so, six percent is just how we're calling it because we think it's what the natural rhythm of the business is going to provide for us.

You ask about VIPTERA and our regulatory issues. Actually, I think this is a regulatory matter in China as opposed to any regulatory matter with Syngenta. The delays coming out of China are such that people just aren't really understanding right now even what the process is. We don't have it in hand. And I wouldn't want to say anymore about when we might have it in hand beyond to say that there is no there's no technical question right now waiting from the – from the Chinese about it. And it's been approved already in virtually every other market. So, we'll, we'll see what happens over the coming weeks, months and quarters.

Sophie Jourdier - Liberum

Great, and just, just actually on VIPTERA. I mean, did it affect your sales in the first half? I mean, how are they versus last year?

Mike Mack

Yes, first of all, we won't know with pinpoint precision exactly what VIPTERA will have done beyond to say that we didn't see any impact of this on our sales. And it's 30 percent of our portfolio. We regard us as having delivered on what said in February as well as the Q1; which is that VIPTERA sales are principally unchanged. And that's the good news. Now, the question that we can never answer with any precision is what would have happened if we had, had Chinese approval last year? Would we have advanced it? My suspicion is we would have. So, did it have an impact on our sales? I suspect it had an impact on our sales growth, yes, I do. But that's, that's just where it is. But it certainly was not the kind of impact that a number of people had feared when this thing came into the forefront in January.

Sophie Jourdier – Liberum

OK, thank you very much.

Mike Mack

Thank you Sophie.

Operator

Your next question is from Laurence Alexander at Jefferies, LLC. Please ask your question.

Laurence Alexander – Jefferies

Good morning, two longer term questions, one on resistance management. When you license traits is there a clause where if resistance develops, you can renegotiate the license? Or, would we measure resistance management by your migrating away from using the trait.

Mike Mack

Good morning, Laurence. The – every contract by the way is different. And I'm not entirely sure if you're. You know if, if the centrality of your question has to do with, with a soybean, for example, or a corn. But the thing that everybody is talking about particularly in the Americas is resistance to glyphosate, which is; you know that resistance would be on weeds that have to do with corn, cotton, canola, soybean, et cetera.

And by the way, the way Syngenta thinks about managing glyphosate resistance. Sure it has something to do with traits. But it also has a lot to do with the chemistry. And it has a lot to do with crop rotation. And this is where a big arsenal of technologies really plays to our strength. I don't want to over generalize your question. Did that get at the, the heart of what you were after?

Laurence Alexander – Jefferies

Yes, I guess what I'm trying to tease out is the way that we can see the opportunity for you normally is looked at in terms of volume opportunity on the chemistry side. But is there also a possible way to realign the royalty payments? You know would that be you know as, as a margin opportunity and margin, margin enhancement for you down the road?

Mike Mack

Yes, and now, and by the way I ended up answering a resistance question having to do with weeds. And, of course, resistance isn't limited to weeds. It's, it can – it spreads to fungi and to disease, and …It spreads to insect management as well. And it, in our experience that when resistance comes to a technology. And by the way, the first best way to manage resistance is not to cause it to happen as acutely as it otherwise would. And that's by using multiple modes of action across multiple families of technologies as best we can.

But when it comes, typically the solution over time is to bring to market new products. And to put those together in clever ways whether it's managing insects or managing weeds, or disease. And that's what we're all about.

Laurence Alexander – Jefferies

And then the second question, your comment about expecting the share losses to reverse. Do you expect to recoup the entire loss share that you flagged on slide 22? Or, was it just a more general at least that's going to change?

Mike Mack

OK, in Brazil, the, the reference to reversing the shared loss was in crop protection. And we flagged this solidly when in the fourth quarter of last year, we did not receive the early registration for Solatenol. And we lost shares as a consequence of that. We did get the you know the registration now in February. And as I indicated, we're getting ready for the biggest launch in the company's history. The, the farmers have seen this technology. A number of the analysts have seen this technology themselves.

And it's terrific. And so, in Brazil that is going to be carried on the back of ELATUS. And in the case of South Asia, the reversal is because in 2010, we had the range rationalization in India. And that's what dragged that, that particular territory into the negative category with crop protection. But that range rationalization is behind us. And India is performing very well indeed. Both of them are chemical, chemical seed – chemical (share matters).

Laurence Alexander – Jefferies

Thank you.

Mike Mack

Thank you.

Operator

Your next question is from Thomas Gilbert of UBS. Please go ahead.

Thomas Gilbert – UBS

Good morning, gentlemen, and Jennifer, thank you very much taking four questions. I'll be quick. The first one, ELATUS fields trials for 2013. Have those been released? So far, I've only seen 2012 performance in the field.

The second one, do I understand you correctly in terms of your outlook for Latin America? The falling soy price that we see at the moment. Do you expect that? Do you expect the soy to corn ratio to be the decisive factor or your rotation from corn into soy with absolute acreage being solid? Or, do you – do you think there is a risk that acre soy and corn combined and including soy, it would be down in Latin America? Can you give a bit of a feel for how you see acreage versus soy corn mix going into Latin America.

The third question is thank you very much for the strategy slides. They're very helpful. I mean, if I look at them, my sort of top down conclusions would be you have to tweak the strategy into regions where your seed and crop protection market share is similar. And you've got to make your U.S. seeds business asset lighter. So the questions are is that – is that the conclusions to draw from them? And can you go in the US to where license only model? I mean, you spend a lot of money on warehouses and R&D centers. Or, is it – what's, what's this, again, that one, two, three conclusions from those eight slides?

And the final question is an awkward one. Can you comment on the Monsanto approach? Who has approached who; and is this – is this a story in the market that has credibility or not?

And also, looking at M&A, the yen is quite weak, the Japanese players are very innovative. Why is there no consolidation in the Japanese crop protection and chemical sector please? What, and what's your view there, and thank you.

Mike Mack

OK, and good morning, Thomas. I'll take them in reverse order. Because I, I'll start at the bottom. First of all, M&A Japanese consolidation, I, I can't comment on it. Or, why it wouldn't, those Japanese frankly have been very, very innovative over these past …twenty, 30, 40 years in the crop protection business. And it seems to me that, that pace of innovation is set to continue (of)… I don't. I don't get a sense that they're under any particular pressure to consolidate. And on Monsanto, no I won't – I won't get into any rumors beyond to say that it's been my experience there's been discussion about further consolidation since 2000, the year 2000, when the last significant transaction was done.

But in each of the years since then, there has been all sorts of speculation about it. And, and so, nothing further on that.

On this – on your, your third question about strategy. And, and that your, your takeaway point on slides 22 and 23 is that it needs to be tweaked. I won't – yes, and first of all, I think principally that's right. I think we – but that's not a learning for us from this. It's something that we felt we needed to share with you. Now, two solid years into the integrated strategy; which is that if the, the – integrated strategy looks different in each one of the territories.

The opportunities are different in each one of the territories. We start from a different position of strength in the crops in each one of these territories. And, and so, I do think that is correct to say that how we think about further executing it will vary from territory to territory.

And then you ask specifically about the US And, and I think what, what is true about the US is we have always had a mix in our, our channel mix. It has always been something like 70 percent direct through our seed network, our seed advisors; and 30 percent through the same distribution channel as crop protection. That hasn't fundamentally changed. It hasn't changed actually since the company was formed back in 2000. So, what you're hearing us say is our first and best opportunity in North America is to drive distinctive technologies that we have like ENOGEN and ARTESIAN. And that these are coming along really nicely.

You know ENOGEN, we're up and running now in six plants. And we intend to further pursue that. And, of course, corn to ethanol is a big part of the market. On your, your comment about asset light, I, I don't think that's correct. And by that I mean, when you look at our R&D infrastructure around the world, we put that in place in a way to be leveraged across all of the technologies and all of the crops. And so, we don't. We don't think about tweaking our R&D platform to conform to the, the specificities of a given – of a given territory. So, no and by the way you know you – and when you say warehouses. We only put a warehouse up in place where we need a warehouse. And in any case, to the extent that we will further gain efficiencies from either R&D or warehouses, which is in the context of production and supply. These are thoroughly covered within the accelerating operational leverage program.

LATAM and rotation acres, and corn to soybean shifts. You know there is always a piece of that. Some of that has to do, of course, with the weather. And, and the planting economics when it gets underway. But make no mistake about it, the success of H2 for us is going to be predicated on the ELATUS launch. And you know a bit about that. And you saw in my final slide how, how excited we are to get underway with that. The ELATUS field trial results for 2013, Jennifer do you…?

Jennifer Gough

Thomas they're not published yet. They will be shortly. And I'll be sure to let you have them.

Thomas Gilbert – UBS

Thank you.

Mike Mack

OK, thank you, Thomas.

Thomas Gilbert – UBS

Cheers.

Mike Mack

Operator?

Operator

Thank you. The next question comes from Christian Faitz of Macquarie. Please ask your questions.

Christian Faitz – Macquarie

Yes, and thanks, I also have a couple of questions. First of all, how much of the 16 percent decrease in diverse field crop, seed sales is coming from Eastern Europe? Then, coming back to ELATUS, how much sales in U.S. dollars do we expect from the SDHI fungicides this year globally?

And then, the third question is the cost inflation of $85 million on the operating income line. Where does that come from? You mentioned emerging markets from a return point of view. But what exactly is this on the product operating side? Thank you.

Mike Mack

The decline in DFC is mostly from Southeast Europe, Ukraine in, in sunflower. And there's some decline in sugar beets in France, Christian. Good morning. John, on the total amount of SDHI?

John Ramsay

Well, I am not going to put a number on the total for SDHI. You can see though SDHI is growing from the slide in the pack. But certainly for the number for ELATUS. We're looking at something like $300 million from ELATUS in Brazil to add to the, the total of the products already launched.

The cost inflation point to all intents and purposes it relates to, to emerging markets since the inflation experienced on both the, the function cost base and also the, the production and logistics in, in those markets. A large part of it is, is salary inflation. And recently you know we've seen you know we've seen those have been at quite high levels. So, that's what it relates to.

Christian Faitz – Macquarie

OK, thanks a lot. And have a great summer.

Mike Mack

Thank you.

John Ramsay

Thank you.

Mike Mack

Thank you, too, Christian. Operator?

Operator

And your next question is from Patrick Rafaisz of Vontobel. Please ask your questions.

Patrick Rafaisz – Vontobel

Yes, good morning, all. I have three questions, please. First can you elaborate a bit more on the, the sugar beet performance issues in the US you mentioned during the slide presentation.

Secondly with acres shifting from corn to soy; or having shifted in North America, if there are any risks for the second half from corn and seed returns from clients. Could that result in any one offs we are not yet aware of?

And then, lastly in terms of strategy and particularly regarding the neonics. That there's more and more scientific papers actually being published highlighting collateral damage of neonics not only on bees but on the environment, et cetera. It seems that the tone is getting more tough in North America as well. And are you looking further into this? And do you know except for in Europe, are you changing your strategy with this class of chemistry in any way? Or, do you have any more details forecast for that here for us? Thank you.

Mike Mack

Sure, good morning, Patrick. The, first question on sugar beet. We're a season or two; and by the way I say a season or two. The first season is this one away from catching the, the market leader in this case on a disease resistance variety of sugar beet. So, that share loss is directly attributable to a feature of our – of our sugar beet seed that needs to be more competitive than where it is. But that's firmly in hand. And we're clear about what's driving that.

The acres shift to corn to soy; and will it give rise to any higher than expected returns on account of that acre shift? The answer to you is to the best of our ability, no we don't think so. As I indicated, 70 percent of our sales are direct through our own seed advisor network; which means we've got a very good line of sight of most of our sales. We think we're properly provisioned for this. And, and you know we, we watch it. It is the only thing that is outstanding right now with respect to understanding exactly how things worked out this year. But no, I don't expect that there's going to be a need for any further write down in that of materiality.

And finally, on the neonic and the and the news that came out of the Netherlands a couple of weeks ago. First, we don't regard it as a high quality study by any stretch of the imagination. But this wouldn't be the first time there was – there were studies released of questionable and scientific value. I will readily admit that it's not helpful in the press. We are heartened as ever by the fact that every time some of the non-European regulatory authorities get involved in this. I mean, you look at the Americans this year, or the Canadians, or the Australians. People have taken a very deep look at the neonic matters.

And they're saying there's nothing here. There is no relationship between this and the causality of bee decline. We're putting every resource that we reasonably can in the company to be sure that we get the word out to the people who are the science community and to the regulatory community. And even to the NGO community to just – to, to take a look at the facts.

Is it – is it a source of concern to me? Of course, it is. I mean, we had a ban on this in Europe in, in the E.U.. And you – it's already impacted some of our sales. But I think where people are taking a good look at this. And they're understanding that this is – that restricting the use of neonics on these crops is only going to hurt growers. And it's not going to help the bees. And that's what we're going to continue to work on ensuring stays the case. OK?

Patrick Rafaisz – Vontobel

OK, yes, thanks and great.

Mike Mack

OK, thank you, Patrick. Operator?

Operator

And the next question is from Ronald Koehler from MainFirst. Please ask your questions.

Ronald Koehler – MainFirst

Yes, thank you. My first question is a slide question on, on the cost investment in R&D, and marketing. I believe you guided 200 million for the full year. Is this still kind of intact which means 120 more expansive growth expenses) in the second half? The second question is on, a bit on outlook of Brazil profitability.

So on the one side, you launched Solatenol or ELATUS, which I believe has a very high growth margin. On the asset side, you might have more, yes, investment obviously launch, and start up costs. So, what, what is your kind of, of outlook on the margin? And should you think about margin declining due to launch costs? Or should we think margin is slightly improving due to, yes, higher gross margin?

And the third question is on the potential share buyback or re-leveraging. Monsanto obviously is now going for a net debt to EBITDA leverage of 1.5 times; which is ten billion share buyback program. Obviously believing that they do not need these kind of strong balance sheets. If I look to your balance sheet, that would open up more opportunities. So, the question is how do you think about this 1.5 times net debt EBITDA as the ratio in, in the context of Syngenta? And that's it, and thank you.

John Ramsay

OK, Ron, maybe just start with the cost expansion point. Yes, that's approximately correct in terms of the, the numbers for the full year. I think the important point about this in terms of the investments we've been making is that we're now in the final year of these level of growth investments. So, it's an important point to understand the trajectory going into 2015.

And we've said that we will peak particularly in terms of R&D, and in this current year. And, and next year we'll see very much reduced levels of, of investment. And that completes our three year program that we set out in 2011.

Brazilian profitability, ELATUS is a higher margin product. But initially you do get start up costs. Of course, there will be some, some launch costs. But I don't think they'll be necessarily significant in the totality of the business. But at the margin level, we do have higher costs of production as the plant ramps up. And this is – this is, of course you know an early phase of Solatenol.

So, it's not – it's not spread across the, the volume that we'll have in coming years. So, it's a bit of a penalty on the margin initially before you get to full productivity and get the higher margins at full productivity rate.

You know at the leverage points, I think you know I think we've set out very clearly over the years what our, our policy here. And the difference between ourselves and Monsanto is that we have a much higher level of dividend. And when you look at the, the implications on debt to EBITDA, you've really got to take that into account.

And if you don't take it into account, you're going to get a wrong answer. You know I believe this – I think I'm correct in saying that, that 1.5 translated in, in Monsanto's case to 10 billion of share buyback. But they took a significant downgrading in credit rating.

If we were to go to 1.5 debt to EBITDA, we'd be a couple of points above, above junk status in terms of our credit rating. So, I really don't think that, that's particularly useful. The focus we have had and the focus we will continue to have is on the dividend with the very healthy dividend payout. We're able to, to keep the promise of increasing the dividend despite the volatility in cash flow as I demonstrated in the slides. And that's what remains important to us. And that's our policy. And, and we don't intend to change it.

Ronald Koehler – MainFirst

OK, thank you.

Mike Mack

Thank you, operator?

Operator

Thank you. The next question is from Andrew Stott from Bank of America Merrill Lynch. Please ask your question.

Andrew Stott – Bank of America Merrill Lynch

Yes, morning, Mike, and morning, John. It's actually around inventories again. I'm sorry to go back to this. But it was just that you put out a very specific target both for this year and actually the longer term.

So, just mainly John, the thinking behind the 600 million relief,if you like, by 2018. And sort of within that, is that the asset turn comment? Or, or is when you talk about asset turns on slide 33, you're also thinking about the sales to fixed asset ratios.

And then, so that's and that's. That’s the longer term question and the short-term question is, is why specifically 200 basis points for this year? And what's behind that very helpful guidance.

John Ramsay

Yes, thanks Andrew. In terms of the, the short-term and in terms of this year. The, the specific point in relation to inventory this year is that we recognized in 2013 we had increased inventories above the normal operating level. And the consequence of it – failure to get ELATUS registration and the short fall we experienced at the back end of the year in Latin America. So, essentially what we're – and what we're doing is essentially keeping inventories flat this year. And that is basically is meaning that we get the, the benefit of not increasing inventories in line with sales, sales growth. And that just translates into an approximate two percentage points of sales. The percentages of sales can be a bit distorted by currency. Because it's increasing the translation effect on currencies. And it's diminishing the, the sales currency. So, that can be a bit misleading. And the important point is that we don't intend to increase inventories and service the sales growth through the same level of inventory is the, the better way to look at it.

Insofar as the longer term is concerned, well, we just – we're just looking at the inventory efficiency. And, and the way in which we've had to respond to very high growth in emerging markets over the years. I don't think we've had enough focus on the effectiveness and the efficiency by which we're servicing those markets. We've been very much in servicing the market mode and obtaining the sales growth. But we need now to structurally look at the way in which we handle the whole supply chain. And put in place the types of efficiencies that we have largely in the developed parts of the world.

So, that's why we think we can take a structural amount out of inventory in the next few years.

The way in which we think about the asset turns is that whilst we talk about percentage of sales for our fixed capital. That's just to make the communication a little bit easier. The fundamental point is what we intend to do is to improve the asset efficiency on both working capital and on fixed capital. And we translated that to a percentage of sales just for ease of communication. So what we are – we will target to do is to have a continuous improving asset turn on both working and fixed capital over the years.

Andrew Stott – Bank of America Merrill Lynch

OK, and sorry, can I just steal a couple of others. Because they're very short. The R&D comment that you made earlier for next year. Is there an absolute target for that reduction? Or is it a ratio? Anything more specific?

John Ramsay

Essentially it will be that we will probably be towards the top end of our nine to ten percent, percentage of sales for R&D at the – at the end of this year. But next year we'll start to reduce that as a percentage of sales. And over the next few years, we'll reduce it down to about nine percent.

Andrew Stott – Bank of America Merrill Lynch

Thank you.

John Ramsay

OK?

Mike Mack

Thank you, Andrew. And operator, the final question?

Operator

Thank you, the last question is from Patrick Lambert of Nomura. Please ask your question.

Patrick Lambert – Nomura

Hi, good morning, Mike, and hi, John, hi, Jennifer. I got a few though. Is that OK?

Mike Mack

Go ahead.

Patrick Lambert – Nomura

Yes, very simple ones; seed treatments growth, I think, slightly disappointing in my – on my view, my focus. Can you update us on, on the geographical spread, a typical geographical spread of seed treatment sales? I was expecting more North America impact on that. That's the question number one.

Question number two, can you comment a little bit of GM soybean technologies. What, what's your view on I think Monsanto and, and Dow are pushing for double herbicide tolerance traits for the year, really? If you can give us your views on, on that, and, and your solutions, also?

The question number two – the question number three… How confident are you there won't be any seed production one off costs in H2? Have you planned? Just comparing your planning for, for next year. This is – this is your, the cost of produce – of producing there. That's question number three.

And the last one on, on sugar cane. Just to, to understand a little bit more the seeds deal. Is that link also to mechanization of, of sugar cane planting? It's, it's just making the, the real logistics easier and, and potentially. But not, not cannibalizing the mechanization of, of the, the initial PLENE and targets, thanks.

Mike Mack

OK, and good morning, Patrick. I'll see if I can …– Take a stab at these. And I'm not. I'm not sure I have your first question. So, I'll come to that momentarily. On sugar cane, the – I mean, as we shared with all of you down in Brazil last December. The problem that we were having with the initial PLENE concept was that the shelf life wasn't sufficiently long.

And we were struggling with sort of this, this seven to ten day period. And the technology that we announced this morning with CEEDS. This agreement that we have as, if it comes to be as we think it will; it will substantially extend the shelf life to several weeks. And that is a big deal and it's a big difference.

And that big difference will enable the simple planting mechanized as you said. And it will be what we – the breakthrough for us to be able to take what was the original PLENE concept to, to a full scale of what we originally wanted to accomplish. So, that's what that's all about.

But a reminder that our deep involvement in sugar cane in Brazil, it has been instrumental in growing our crop protection market share there. And so, that's been – and that's been very encouraging, and, and a good – a good part of the Brazil story.

The planning for next year if I understand it right. That you ask what about corn to soybean shift? And is – and, and what if anything does the impact of corn prices have on thinking about our business next year? What I can tell you is that – is that the crop, the seeds crop is already in the ground. And it's coming along with the – with yields where they are. I presume it's coming along, along nicely. And we'll just have to see where, where that is. But I know you'll (go to)… Did I have that wrong, Patrick?

Patrick Lambert – Nomura

No, I think it's exactly. The, the ratio between corn and soybean for next year is about the same as this year in terms of planning?

Mike Mack

(I wouldn't) (I mean).

Patrick Lambert – Nomura

It's too early?

Mike Mack

Yes, that the markets, the market will decide, of course, what the relationship is. But, I mean, here we are in this zone last year between 96 and 91 million acres in the U.S. And it's been my experience that, that year to year swing is something that doesn't. You know that doesn't get fully informed until much closer to that. So, I wouldn't – I wouldn't want to guess whether next year is 92 or 93. But corn has been in this zone now for a number of years.

You ask about GM technology and soybean. I mean, we had a – we had an announcement from out of the – out of the regulatory agency in the U.S. earlier this week that our approval for (MGI), which is our glyphosate tolerant trait was approved by the EPA. But for GM soybean technology as is well known, we're on the Monsanto platform.

So, we're a Round Up Ready 2 licensee in Brazil and Argentina, and U.S., and Canada. And that and just a reminder to you, and you know this well. That the trait is one part of the technology. But the chemistry is another part. And for that we're a leader.

I will – I will confess. I didn't understand. If your first question was – it was about the impact of seed care sale) – and seed treatment…

Patrick Lambert – Nomura

Yes, just, just the – can you just give us the geographical spread, the split of, of seed treatment sales?

John Ramsay

Yes, yes, Patrick, I think it's about 40 percent of our sales are in North America. The variance in seed treatments you can attribute largely to suspension of CRUISER in Europe, which is the, the single biggest impact.

And it explains most of the variance. We're also down a bit in Latin America with the reduced corn acres there. But we're up – we're up so, I think you know substantially in North America in the total seed treatment sales.

Mike Mack

OK?

Patrick Lambert – Nomura

OK.

Mike Mack

Patrick, thank you.

Patrick Lambert – Nomura

Thank you.

Mike Mack

And ladies and gentlemen, thank you for joining the call this morning. So, of course, as ever, if you have any additional questions, please feel free to contact Jennifer Gough or Lars

Oestergaard in Investor Relations. With that, and wishing you a pleasant, pleasant day. Thank you for joining us.

Operator

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

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