Third Quarter 2014 Results TRANSCRIPT

Contents

Corporate participants

Jennifer Gough

Syngenta – Head of Investor and Media Relations

John Ramsay

Syngenta – Chief Financial Officer

Presentation

Operator

Thank you for standing by. And welcome to the Third Quarter 2014 Trading Statement. At this time, all participants are in a listen-only mode. There will be a presentation today followed by a question-and-answer session. At that time, if you would like to ask a question, you would need to press star and one on your telephone.

I must advise you that the conference is being recorded today on Thursday, the 16th of October, 2014. I would now like to hand the conference over to your first speaker today, Jennifer Gough. Please go ahead.

Jennifer Gough

Good morning, and welcome to the call. Today's presentation will be given by John Ramsay, CFO, and the slides to accompany the presentation are available on our website.

Please note the safe harbor statements on slide two. This presentation contains forward-looking statements which are subject to risks and uncertainties that could cause actual results to differ materially from these statements. We refer you to Syngenta's publicly available findings at the U.S. SEC for detail about these and other risks and uncertainties.

And let me now hand you over to John, who will begin the presentation on slide number three.

John Ramsay

Good morning. Our integrated sales for the third quarter were up 3 percent at constant exchange rates, with growth in all regions. As discussed at the first half, we have taken the decision to reduce sales of solo glyphosate over a three year period, starting this year. Excluding glyphosate, sales were up 5 percent in the quarter.

Our sales in the second half of the year are dominated by the southern hemisphere. In the third quarter, growth in Latin America was robust despite dry conditions in some areas. In Brazil we saw strong demand for our new fungicide ELATUS, a sign of the upturn in innovation which we expect to underpin growth in coming years. In Europe, the HYVIDO hybrid barley offer is also showing considerable success.

Third quarter and nine months sales

Please turn now to slide 4 for an overview of the sales numbers, starting with the left hand column.

Total third quarter sales including the Lawn and Garden business were 2 percent higher at constant exchange rates and in reported terms. The impact of currencies on the top line has abated in the course of the year, notably for the Asia Pacific region, although there will still be a negative impact at the EBITDA level as I described at our first half announcement. The 3 percent growth in integrated sales was due to price, with volumes unchanged.

Nine months sales including Lawn and Garden were 3 percent higher, with a one percent negative impact from currency. Integrated sales were up 4 percent for the period, again driven by price.

Third quarter 2014: integrated business update by region

Please turn now to slide 5 for a brief update by region, starting with North America.

After a weak first half due to unfavorable weather, we were pleased to see strong pre-season selective herbicide sales in the US, contributing to a 7 percent increase in crop protection sales for the region. Canada however was affected by flooding as well as by the reduction in glyphosate sales. Seeds sales for the region were lower, primarily due to the divestment of Dulcinea Farms at the end of 2013.

Growth in Europe was driven by seeds, with expansion in oilseed rape and hybrid barley. Africa and the Middle East and South East Europe showed broad based growth. In the CIS sales were down but this is now in the low season.

Asia Pacific saw a slowdown after double digit growth in the first half. The emerging markets in the region continued to show good growth, notably in fungicides and insecticides. This was partly offset by low weed and disease pressure in Australasia.

A significant proportion of our glyphosate sales are in Latin America. When these are excluded, growth for the region in the quarter was 8 percent and was mainly volume driven. This was despite the impact of drought in Latin America North – including Mexico, Venezuela and Colombia – and in the Brazilian sugar cane market. As already mentioned, we saw strong demand for ELATUS and I shall return to this later.

Currencies: full year expectation unchanged

Slide 6. Our expectation for the full year impact of currencies on EBITDA is unchanged compared with the first half, despite the further weakening of emerging market currencies – particularly the Real, the Ruble and the Ukrainian Hryvnia. In the Ukraine we have continued to achieve substantial price increases to offset the currency movement. In Russia we expect to recover through price in 2015.

Our Brazilian sales are largely dollarized. Overall for the first nine months we have broadly offset the currency depreciation through price. In the third quarter, however, price increases were below our expectations and this has resulted in an adverse impact on the gross margin .

For the full year, the impact of currencies on the EBITDA margin is estimated at around 100 basis points, as forecast at the half year. Net of price increases, I continue to expect a full year impact of currencies on EBITDA of 100 to 120 million dollars.

Crop protection: third quarter sales up 3 percent

Please turn now to the review of crop protection sales on slide 7.

Selective herbicides were up 1 percent, with strong demand for CALLISTO in the US corn market more than offsetting lower sales in Brazil due to the drought, affecting sugar cane in particular.

The decline in non-selective herbicides reflects the reduction in TOUCHDOWN volumes. This was partly offset by double digit growth in GRAMOXONE.

Strong growth in fungicides was driven mainly by ELATUS in Latin America, with the launch in Brazil and a continued ramp up in Bolivia and Paraguay. Short term this has a negative impact on profitability in Brazil, as ELATUS in its production ramp-up phase has a gross margin below that of our existing offer based on AMISTAR. In 2015, however, we expect the gross margin on ELATUS to increase to around the group average.

Latin America was also the largest contribution to growth in Insecticides, with the DURIVO family performing well against caterpillar pressure in soybean and corn. Globally sales of DURIVO were up by more than 50 percent.

Sales in our high margin Seed care business were significantly lower. In addition to the CRUISER suspension in the EU, our sales to other seed companies have been lower this year, partly due to acreage shifts.

Glyphosate: strategic reduction of solo, focus on mixtures

Let me now give you some more detail on our glyphosate strategy on slide 8.

Weed resistance to glyphosate is already prevalent in the US and is spreading in Latin America. Growers need integrated weed control and resistance management solutions. This is behind our decision to focus on mixtures and early season weed management.

The chart shows you our sales of solo glyphosate in blue and the mixtures containing glyphosate in green. In 2013, solo sales totaled around 950 million dollars, at a gross margin significantly below the group average. Mixture products had sales of around 250 million dollars at a gross margin in line with the group average. By 2016, we expect to have reduced solo glyphosate sales by around 400 million dollars, and to have increased sales of mixtures.

The impact of this strategic reduction was around 80 million dollars in the first nine months of the year and is expected to be around 150 million for the full year. This represents a one percent drag on sales growth but is positive for future profitability.

Crop Protection: new products

Slide 9 shows sales of our new crop protection products and illustrates the upturn in innovation that I mentioned at the beginning of the presentation.

Our new biological product CLARIVA is gaining recognition in the US for soybean nematode control. FORTENZA, an insecticide seed treatment, is just now being rolled out in Argentina.

VIBRANCE, a fungicide seed treatment, showed strong growth in all regions, led by Canada and the US.

The fungicide SEGURIS is helping us make headway with our objective of regaining share in western European cereals markets.

And finally ELATUS about which you can see more on the next slide.

ELATUS: launch on track

Slide 10. The latest data from EMBRAPA, the Brazilian agricultural institute, has just recently been released and the findings are shown in the chart. They confirm the performance advantage of ELATUS over both standard and competitor SDHI offers. Bear in mind that in any given year absolute yields will vary depending on a number of weather and pest related factors. What counts is our ability to deliver consistently higher yields than alternative solutions, along with greater convenience and flexibility for the grower.

In the first nine months of the year, we delivered 210 million dollars' worth of product to distributors. Because of our consumption-based model, we recorded sales of only 75 million dollars. On this basis we are confident that we can achieve our full year consumption target for ELATUS of 300 million dollars.

Looking ahead we expect Solatenol, the new active ingredient in ELATUS, to be approved in the US next year and in the EU in 2016. All this makes our peak sales target for Solatenol of over 500 million dollars seem eminently within reach.

Seeds: third quarter sales up 5 percent

Turning now to Seeds on slide 11. Sales adjusted for the divestment of Dulcinea were up 5 percent.

Global corn sales were down broadly in line with acreage. The decline in US corn acreage also affected corn trait royalties, with royalty income overall now expected to be slightly below last year's level.

In the US we have experienced challenges associated with the ongoing lack of Chinese registration for VIPTERA. Despite this, VIPTERA as a proportion of the portfolio was unchanged versus last year at around 30 percent, demonstrating the value of this important technology for growers.

With soybean acres up our sales increased.

In terms of costs, we have successfully realized the forecast 240 million dollar improvement relating to last year's non-recurring costs in seeds.

Diverse field crops include cereals, and growth in the third quarter reflects the success of HYVIDO in the winter barley market.

Vegetables growth excluding Dulcinea was 9 percent in the quarter, with good growth in Europe, Africa and the Middle East and Asia Pacific.

Hybrid barley transforming feed production

Slide 12 gives you a bit more detail on HYVIDO.

Acres planted over the last four years have grown at a compound average of 30 percent. This year has seen a successful first launch in Iberia. We are using the appeal of this first commercial hybrid barley seed to pull through crop protection sales. We do so by offering a cash back yield guarantee – growers using the recommended protocol have the price premium for the seed reimbursed if they do not achieve the promised yield benefits.

These benefits are illustrated in the right hand chart, with the crop protection protocol significantly enhancing the HYVIDO yield advantage.

Accelerating operating leverage: main initiatives

Before turning to the outlook, I should like to remind you of the key elements of our operational leverage program, which is firmly on track to deliver significant savings starting next year. Slide 13.

In total, the program targets cumulative savings of 1 billion dollars in 2018, equivalent to an EBITDA margin improvement of around 5 percent. The program has three pillars with multiple initiatives under each.

In production and supply, we are optimizing production costs in seeds by, for example, reducing the number of grower contracts. Throughout the supply chain, we are identifying opportunities to reduce fixed costs in procurement and manufacturing. This effort is being replicated in logistics and support functions, with for example the establishment of a Global Delivery Center for Information Systems in Pune, India.

In Commercial Operations, we are focusing on a more efficient marketing design and are adapting our systems to achieve greater field force effectiveness – which means more time with customers. This in turn will lead to improved demand visibility and better production management.

In R&D, we are committed to reducing the ratio of spending to sales while continuing to drive a strong new product pipeline. We will achieve this through simplification of the management structure and rationalization of our field development stations, as well as other infrastructure and operational savings.

In 2015 we are targeting first savings of 190 million dollars from the operational leverage initiatives as well as 75 million from our previous efficiency program.

Outlook

Let me now conclude with the outlook on slide 14.

The very positive reception for ELATUS gives us confidence for the fourth quarter in Latin America. The business overall in Brazil is dependent on further rainfall as the season progresses. However, assuming this does occur, we are in a position to achieve our full year target of 6 percent growth in integrated sales at constant exchange rates.

At the beginning of the year, we were targeting a slight increase in EBITDA margin. It is now clear that this will not be achieved – firstly because of the negative impact from currencies arising primarily from the CIS devaluations in the first half, and secondly because of some mix effects. These include the shift from corn to soybean; the reduction in high margin seed care sales; as well as lower than expected price increases in Latin America, exacerbated by the Brazilian Real depreciation.

Our key objective now has to be the improvement of profitability. The phase of establishing our integrated strategy is behind us, and we can now focus on the opportunities for greater efficiency within the organization. As just described, we are firmly on track to deliver targeted savings in 2015 and beyond, and let me assure you that our entire organization is focused on this issue.

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

Questions and Answers

Jennifer Gough

Before we open up to questions, I gather there are some problems with sound quality on the line. So we are going to redial into the call and ask you for a few moments' patience while we do that. Thank you.

Operator

If you would like to ask a question today, please press star and one on your telephone and wait for your name to be announced, to cancel that request it's the hash key. So it's star and one if you would like to ask a question today.

The first of these comes from the line of Sophie Jourdier from Liberum. The line is now open.

Sophie Jourdier – Liberum

Good morning. I've got two questions, please. First one, I just wondered whether you could give us a bit more detail as to what's going on in the Seedcare sales, obviously down quite sharply, just how much is due to the ban in Europe on CRUISER and how much due to the shift away from corn? And anything in terms of the outlook into next year, if you can.

And that's the first question. And the second question -- and a fairly obvious question, really -- your sales growth in the third quarter driven entirely by price. But you talk about lower price increases are expected in Latin America. I just wondered whether you could talk about the price environment in crop chemicals, given the sharp falls we've seen in crop prices and the outlook for the rest of the year on price. Thank you.

John Ramsay

Yes, OK, well, thanks for the two questions. First of all, I apologize if the sound transmission has been so poor, but hopefully we can pick up all the points in Q&A.

First of all, on Seedcare, this is related to the move away from corn to soybeans and also, at this time of year, third-party customers for our Seedcare products looking forward to next year. And I do think they must have, you know, a lot of carryover seed from the current season and therefore orders have been affected by that as a consequence of the reduction in corn acreage moving to soybean, both in North America and in South America.

In terms of numbers, I'd say for the nine months, broadly speaking, about $40 million of the reduction in Seedcare is associated with the neonicotinoid suspension in Europe. About $90 million is associated with the moves from corn to soybean and reduced sales to third parties.

But within Seedcare, we're also benefiting from the growth in VIBRANCE, which is a new SDHI fungicide in Seedcare, and that's up by about $35 million offsetting the reduction from the other two components.

Coming back to the question of price and volume, I think you have to be a little bit careful in terms of the headline figures, because as I said in the presentation, we are reducing -- actively reducing our sales of TOUCHDOWN glyphosate, and consequently that is affecting the sales volume headline.

If you take from the 3 percent growth in third quarter, if you take glyphosate out, growth is actually 5 percent. And of that, excluding glyphosate, then the volume is up 3 percent and the price is up 2 percent. So from a 5 percent growth, you've got underlying volume growth of 3 percent and price 2 percent.

In terms of pricing, we had been targeting between 1.5 percent -- between 1 percent and 2 percent price increase for the full year, and for crop protection sales, and I still anticipate that to be the case. We have seen lower price realization in Latin America, particularly Brazil, than we had originally forecast. It's been affected a bit by the severe devaluation that occurred in September, which affects our ability in Brazil to get our dollar prices up. But notwithstanding that, I still see continued price increases in the other regions, and we'd anticipate still being within the target of 1 percent to 2 percent for the full year in crop protection.

Sophie Jourdier – Liberum

Thank you very much. And is it too early to talk about, you know, expectations for prices or what you're seeing in terms of pricing for the northern hemisphere season in crop chemicals?

John Ramsay

It's still too early. We take some encouragement from the ability to have effective price increases in recent seasons, but it's too early to put a differentiated view on it at this stage.

Sophie Jourdier – Liberum

OK, thank you very much.

Operator

Our next question comes from the line of Tony Jones from Redburn.

Tony Jones – Redburn

I've got three questions. Firstly, on the FX impact, maybe we got a bit confused, but could you please clarify whether you're guiding for EBITDA margin in the second half to be unchanged on an underlying basis?

Secondly, on GMO seed supply, sounds like GMO corn demand next year is going to be down a bit. Obviously, that's underlined by your messages on Seedcare. But more importantly, has your internal and external supply chain adjusted fast enough to prevent any inventory problem next year?

And then, finally, just going back to something earlier in the year on the provisions for management compensation, things have not gone as well as we would have hoped and shares have underperformed. Should we be expecting any change to that message in terms of provisioning $150 million next year? Thank you.

John Ramsay

OK, thanks for the questions Tony. I think -- I'm not sure why there's any confusion on the ForEx. I think fundamentally we are not changing the expectation in terms of the dollar impact on the bottom line associated with ForEx, as you know, we got hit badly by the CIS devaluation early in the year, but were able to offset quite a bit of that by price increases. So what we're seeing is consistent with what I said at the half-year, that the impact on the bottom line will be between $100 million and $120 million on a net basis after attributing the price increases we got largely in CIS to offset that devaluation.

Maybe some confusion in terms of the comments being made about the EBITDA margin compared to last year, and that is just to say that we had previously targeted to improve the EBITDA margin over last year, and given events, mainly that currency event, which we tried to offset by various factors during the year and been reasonably successful, actually, in offsetting it, but some other mix impacts largely associated with the move from soybean to corn, which I explained earlier, have gone against us and, therefore, we're saying that the EBITDA margin for the full year will be below last year's level.

In terms of corn demand, well, as you know, we were very circumspect coming into this season in terms of our corn planning in respect of what happened in 2013. So bottom line, despite the volumes of production in 2014 being quite high and corn acres looking to be reduced next year, then we do not expect, because of the actions we took in terms of coming into this production planning period, we do not expect inventory write-downs as a consequence.

Your question three was related to provisions for management compensation. I think this relates to comments we have made that in 2013 very low levels of management incentive compensation was paid. And consequently, coming into this year, we would have anticipated hitting targets and, therefore, a level of compensation would be paid. And the difference we said at the time would be about $150 million.

But you're right to say given what comments were made about the EBITDA margin earlier on the call then we'd expect less than $150 million to be paid this year but it will very much depend on the outcome as we progress through the fourth quarter.

Tony Jones – Redburn

Thank you. Can I just ask one very quick follow-up? Just to go back on the FX impact, just to be clear, then, are you guiding the ex or pre-currency for the second half EBITDA margin is essentially unchanged? Or is it that...

John Ramsay

I'm guiding for the full year margin. I'm not guiding for the second half. I'm guiding for the full year, and I'm saying the EBITDA margin for the full year will now be slightly below the level of 2013.

Tony Jones – Redburn

OK, thanks very much.

Operator

Our next question comes from the line of Rakesh Patel from Goldman Sachs.

Rakesh Patel – Goldman Sachs

Hi, good morning. Just a couple of questions, if I can. First of all, I am just trying to understand the progression of the underlying margin at the business, because if you've kind of also been reducing the lower margin glyphosate sales, are you also -- on the underlying margin of your crop protection business is going backwards, as well, net of FX for the full year?

And then, secondly, just on ELATUS, you know, really nice to see the order number progressing quite well. I just wondered, given the late start of the season, is there a risk that some of that $200 million that's been delivered gets shifted to your P&L next year, given the revenue recognition? Thanks very much.

John Ramsay

Well thanks for the questions. Look, first of all, in respect of the gross margin and the underlying crop protection business, big-picture-wise, at the start of this year, we anticipated that we'd have mix effects associated with glyphosate and ELATUS.

So glyphosate improving the mix and ELATUS offsetting the mix because ELATUS in its early years of production or this year will have a margin lower than the average but move to the average next year, and then beyond that -- will improve beyond that. But for the first year, it's got below average margin.

So big-picture-wise, glyphosate positive, ELATUS negative. And then what was not anticipated was the impacts associated with the move from soybean to corn, which affected the Seedcare offtake to third parties. It also affected our royalty income, which a direct margin impact. And also just recognizing, opposite expectations, we won't get just as much price increase in Latin America.

So that's the broad picture on margins. And suffice it to say, though, I think moving into 2015, we will be seeing improvement in margins associated with the leverage measures that we've already got underway.

In terms of ELATUS, yes, you're right. If we'd been sitting here talking about the sales into the channel and recording sales on the basis on which our competitors record them, then we'd be saying that are sales would be $210 million at the end of the nine-month period, and we'll be guaranteeing with absolute certainty that our sales would be $300 million at our target level.

There is always the risk -- and at the moment, we are seeing dry weather in Brazil, and our expectation is that that will start to break next week. Growers are not particularly concerned about it. But there are risks around the weather, and we do need to see good disease pressure with the rains coming in December, as well.

But, look, given our best judgment we expect that $210 million to be invoiced after being consumed in the remaining period of the year. And in addition, we're targeting to get the number up to $300 million on a consumption basis.

But I have to say that there could be some risk. What we can say is, ELATUS is going extremely well. There isn't the slightest blemish on the whole program, so far as the plans are concerned at this stage. There may well be a time issue over year end, but at this point in time, we still expect to invoice, i.e. have $300 million consumed.

Rakesh Patel – Goldman Sachs

That's great. Thank you very much. If I could I just, sorry, add on a follow-on on just on in Latin America, the reception of PLENE just given agreements in the sugar cane markets, if there's any color you can give us around that?

John Ramsay

Well Plene is continuing to go according to plan. It's relatively slow -- has relatively small volumes at this stage. So we're still in the period before we get into significant ramp-up. But no change to the plans in respect of Plene.

Rakesh Patel – Goldman Sachs

Great. Thanks. Thanks very much.

John Ramsay

Thank you.

Operator

Our next question comes from the line of Christian Faitz from Kepler Cheuvreux.

Christian Faitz – Kepler Cheuvreux

Christian Faitz from Kepler Cheuvreux. I have two questions, if I may. First of all, can you give us any update on the registration process for Agrisure Viptera in China? And can you give us a rough idea of how sales went in Q3, also on the progressive level? We have the Q3 number. You said it's 30 percent, I believe, of corn and soybean.

And then second question would be, you don't mention your free cash flow target of $1.3 billion in USD in your release anymore. Is that target scrapped? Thanks.

John Ramsay

OK. Thank you. Going back to your question, Christian, we have -- in respect of VIPTERA, we don't have any -- anything else to report. We still await the registration or we still expect to get it, but it hasn't come forward at this point in time.

So far as our sales performance in North America in respect that VIPTERA is concerned, clearly, you know, this is a headwind when we've been trying to grow the business there, but we have managed to keep the level of VIPTERA sales consistent with last year. So it's about 30 percent of the portfolio. It was 30 percent of the portfolio last year. It's 30 percent of the portfolio this year. Corn sales are down because acreage is down, but we sold 30 percent of it as VIPTERA.

So far as free cash flow is concerned, yes, you're right, we had a target of $1.3 billion before M&A for free cash flow. This was set primarily driven by the targeted reduction in inventories as a consequence of the high level of inventories we had coming out of the 2013 season for reasons associated with ELATUS in Latin America. We've targeted reduction in inventory of about 2 percentage points in sales. Despite the North American weather impacts in the first half and despite the loss of sugarcane business in Brazil to date, I still expect that we will achieve our inventory targeted reduction.

But I'm having now concern about the $1.3 billion target as such. Clearly, the margin impact which I've described in respect of the move from soybean to corn, will have some impact. And just getting a bit more concerned about the levels of liquidity in Argentina and Brazil, and particularly if there is a delay in the season associated with the weather, could find receivables moving into next year.

I certainly expect the free cash flow to be above $1 billion, but there are some impacts around the year end, which are now causing me some concern. Importantly, though, the reason for setting that target is largely driven by our inventory reduction. And I do expect that we'll see 2 percentage points of sales reduction in inventory at the year end.

Christian Faitz – Kepler Cheuvreux

OK, great. Thanks for answering the questions.

John Ramsay

Thank you.

Operator

Our next question comes from the line of Virginie Boucher-Ferte from Deutsche Bank.

Virginie Boucher-Ferte – Deutsche Bank

OK. So I've got a few questions. The first one is on the margin, especially for next year, 2015. Given, the rebasement of expectations for 2014, should we expect, the same effect in 2015, especially in the context of lower commodity prices?

The second question, which is also related, can you talk about the glyphosate and ELATUS impact in 2015? And can you also talk about the mix effect? So I'm assuming a positive mix effect from glyphosate. Should we still expect a negative mix effect from ELATUS?

My third question is on channel inventories in the U.S. Another season has been relatively weak, especially in terms of fungicide. If you could update us on that and what's the risk of seeing the same price cuts we saw in 2010, if channel inventories are elevated?

And the last question is on VIPTERA. A series of litigation actions have been announced in the U.S. Can you tell us how much has been claimed in total and on which grounds really they are challenging you and why you would say the lawsuits have no merit? Because I think that's what you're saying. Thank you very much.

John Ramsay

OK, Virginie. Could I maybe just deal with the last question first? Because I'm not going to be able to give you much detail on the court cases. I don't want to get into detail when these things are under litigation, as you'll understand.

Suffice it to say that we don't believe that the cases have merit. We continue to believe that having complied with all the laws, rules and regulations of the country in which we're selling the product, these cases have no merit. And I'd appreciate just leaving it there.

Coming back to answer your other questions in perhaps more detail, in terms of the margin next year, a couple of points in respect of that. We are well advanced in terms of the cost saving the operational leverage measures. And given the outlook in terms of market conditions now, I'm really pleased that we started when we did, and we should be able to give more detail about that as we progress in coming months, and specifically targets for 2015. But we're very much working towards the targets that we had of about 265 million rolled up together and achieving that, despite whatever the market conditions might look like in terms of volume growth.

In terms of the mix impact next year and you're talking about the ELATUS/glyphosate effect, which I referenced for 2014 a few moments ago. We'd expect ELATUS, first of all, to be progressing next year to the group average margin. It's below this year. And therefore year on year would be a positive mix effect.

We also expect to continue the glyphosate strategy, which would mean further reduction, and that would be a further mix effect positive year on year.

So far as inventories, North America concerned, I think the first thing to say is, actually, seeing from our third quarter results where we've had strong selective herbicide sales in North America, you can see there's probably been some restocking. So clearly, herbicides have not been an issue in terms of carryover inventory.

The question no doubt is more specific around fungicides, which is the segment of the market you referenced for 2010. And the point there is that we tend to sell these fungicide products in quarter two and then for quarter three consumption. So the question is, what inventories are lying there at the moment? The industry will not know that precisely until the end of this month as a reconciliation exercise going on, and that is underway, so we won't know entirely until the end of the month, but knowing that this would be a question, we did check with our guys just the last couple of days, and we do believe from the feedback from the distributors that our inventories, Syngenta inventories in fungicides, are at normal levels.

And we have been in the last couple of seasons very keen to control this, so I think we can say -- but it has to be confirmed -- that our inventories are at normal levels. I cannot speak for the competition at this stage, and I'd suggest that you do ask them that question.

This question, of course, has got an underlying theme of pricing. And me say -- as I've said repeatedly -- no matter what the level of inventories are, we don't see the need for irrational price behavior. These stocks have a long shelf life. This is a high-value segment for the grower. It does get affected very much by discretionary decisions around weather, but absolutely no need for irrational price behavior. But I do appreciate it does depend on how competitors see it.

Virginie Boucher-Ferte – Deutsche Bank

OK. And if you could just answer the question on the ELATUS contribution, the sales contribution in 2015. Do you expect more sales in LatAm? I think you're launching the product in the U.S., as well, although it's a smaller market. And are you still planning to phase out about $100 million to $150 million of glyphosate sales? Thank you.

John Ramsay

Glyphosate, yes, that number is broadly correct. For ELATUS, yes we do expect continuing growth. Clearly, North America is not as big a market, but nevertheless we'll be launching next year, and then we'll see more significant growth going into 2016-2017, as a product gets registered for European cereals.

Virginie Boucher-Ferte – Deutsche Bank

OK, thank you very much.

John Ramsay

OK. Thank you.

Operator

Your next question comes from the line of Patrick Lambert from Nomura.

Patrick Lambert – Nomura

Good morning, everybody. Thanks for taking my question. A quick one on soybean seeds. Could you comment a little bit more on your growth, both in North America -- mostly LatAm, I suppose, but the details of the growth and the quantification of the growth, if you can, on the seeds side.

The second question would regard the -- again, a little details on the glyphosate regional impact, the slowdown of sales in the $80 million. I think actually LatAm was about $50 million in North America, $30 million. Could you also comment for next year, what would be the regional split there for our forecast?

Third question, vegetables sales plus 9 percent. Also, I think that's a very good number. Could you comment on the regional -- what you're seeing also for 2009 in terms of vegetables, which seems to be more resilient growth than we expected?

And, finally, on the -- I think on the savings for next year, any view on the timing of those, when -- when we can -- will be progression towards the $190 million that you cited? Or quicker than that? Thanks.

John Ramsay

Sorry, Patrick, can you just repeat your last question? I'm sorry.

Patrick Lambert – Nomura

Yeah, a little bit more the progression of a savings for next year. You gave the total amount for next year, but the ramping up of them would be also pretty useful.

John Ramsay

OK, sorry. I've got it. Thank you. Well, maybe just deal with that one first, Patrick. It'll be more of a ramp-up as we progress through the year, but I can tell you that we are well advanced with some of the plans -- well, most of the plans. And as we saw market conditions looking less favorable, we did put an awful lot more effort into this.

So we're hopeful that we'll get, you know, well underway right from the beginning of the year, but there will by their nature as we progress will be a ramp-up, but probably starting a bit earlier than we previously anticipated, because of the focus that we've put on this in the last few months.

Going back to your first question, which I believe was about soybeans seeds growth. Growth, you know, it's essentially North America and Latin America. I think soybean seeds are up about 18 percent in total. They're up about 16 percent in North America. They're up about 20 percent in Latin America in year to date.

Patrick Lambert – Nomura

Year to date, yes.

John Ramsay

Strong growth in our soybean seed sales.

Your second question was about glyphosate. Well, basically we've reduced in total by about -- by about $80 million in the nine months. The level of sales in the nine months of just over $600 million. About 60 percent of that typically is in Latin America. About 30 percent is in North America and 10 percent from elsewhere in the rest of the world.

Vegetables, this is a growth in Asia, growth in Europe, a little bit of growth in North America, but less so. I'd expect some continuation of vegetables. It does get a bit of a boost by new germplasm coming in from time to time, but we do expect continuing growth in vegetable in 2015.

Patrick Lambert – Nomura

You see no impact -- I'm talking about Russia and Ukraine ban on fruits and vegetable. What is -- what are the farmers thinking for next year in terms of their production? Have you discussed that already with them?

John Ramsay

Yeah, there's a bit of noise around that and a bit of an impact, but we're not noticing it materially impact our demand for seed at this stage. And one wonders to what extent, you know, the sanctions are really applying.

But we know there are issues there. And there's been, you know, some noise about it. But not getting, you know, drastic feedback in terms of seed demand. OK?

Patrick Lambert – Nomura

Thank you.

John Ramsay

Thank you, Patrick.

Operator

Our next question comes from the line of Andrew Benson from Citi.

Andrew Benson – Citi

Yes, thanks very much. Andrew Benson here. Hopefully you can hear me. A couple of -- can you discuss your strategy for VIPTERA in 2015? You've talked about DURACADE being sold through -- or the farmers selling through a specific grain trader. Are you planning to facilitate some sort of easy distribution mechanism, just in case the market environment just becomes more hostile because of the litigation?

Second point, if exchange rates stay where they are now for the next year, when I know it's highly improbable, what do you think the impact on ForEx or can we assume a sort of broad neutral, in other words, an additional -- or the absence of $100 million, $110 million of costs next year? And am I right or wrong that you're expecting some sort of double-digit sales growth in the fourth quarter now in order to achieve that 6 percent for the full-year or am I missing something?

John Ramsay

OK, thanks, Andrew. Yes, for the -- yeah, for the fourth quarter, yeah, appreciate that there is a, you know, considerable challenge left in front of us for the fourth quarter, but, you know, I think we're working on the basis of if you do the arithmetic, something close to around, you know, certainly in the low teens growth for the fourth quarter to achieve that 6 percent for the full year, and I do appreciate that there's a bit of a drag in those numbers with glyphosate, so actually having to do a bit better as we reduce further fourth quarter glyphosate sales.

The majority of that is going to be coming from Latin America, and the majority of it is going to be driven -- in terms of the growth, at least, in terms of the ELATUS with our expectation that we do invoice, the residual amount to get up to $300 million, was above $200 million of ELATUS sales that we didn't have last year, and there was some risk to this with the rain, but nevertheless, the rain has usually always come. And what, you know, we think -- you know, I think it's -- it's reasonable. Don't forget, of course, in Q4 2013, we did underperform, so there's that element, as well, in Latin America in terms of the year-on-year comparison.

Currencies, your second question, look, I think -- it's really difficult to say. The currencies have been moving about an awful lot recently. I do try and keep a track of this. The broad dynamic that we're looking at, of course, is that we have had a weakening of the Swiss franc in relation to the euro peg, and that should be favorable, but at the same time, emerging market currencies are not strengthening significantly and, indeed, some of them weakening.

So we do have, you know, contrasting impacts there, where eventually we'll end up is difficult to say. You might say this is moving towards offsetting, but it can change so dramatically Andrew it's really difficult to give any real indication at this stage, which we will do in February.

Going back to the question, again, of VIPTERA, strategy -- the bottom line is, our strategy hasn't changed. We're going to continue with VIPTERA. We've been struggling with the noise in the system against VIPTERA for a number of years now. Our guys, you know, need to work with the growers in giving confidence to ensure that it's going to outlets which are taking VIPTERA, the domestic consumption outlets. And that's just going to have to continue. It is a headwind, and it's a challenge, but we're going to have to persevere.

DURACADE is slightly different, in so far as, you're right, we have been working with a grain trader who has been shepherding this, in terms of getting, you know, confidence to the growers in terms of taking the product and moving the product out on harvest. And that will continue for 2015, as well.

Andrew Benson – Citi

OK, thanks.

John Ramsay

Thanks, Andrew.

Operator

Our next question comes from the line of Ronald Koehler from MainFirst Bank.

Ronald Koehler – MainFirst Bank

Yes, good morning. I have two questions, actually. The first one on the overall innovative products, you show this 96 percent year-on-year increase for the first nine months. If I'm right, actually new products were roughly $550 million last year. I'm not sure if it's the same definition right now, because sometimes you shifted a bit. Would that imply with getting something, like 100 percent on a full-year basis here? That's the kind of first question.

And the second question is, obviously, it's a very high run rate percentage-wise, but nevertheless, what do you think is the kind of outlook for 2015 with keeping a rather high run rate on the innovative products?

Second question, on the cross margin ELATUS, if I'm right, you're guiding -- you're coming -- going to an average gross margin in 2015 group average. I was wondering a bit, because obviously Solatenol I would assume has a much higher gross margin. So the question is, what is restraining the gross margin? Or is it still the mixture why -- because AMISTAR is obviously part of that mixed product ELATUS? Or can you elaborate on this Solatenol gross margin which I would expect should be significantly higher than actually group average?

John Ramsay

OK. Thank you. Yeah, the comparisons on these new products is consistent, so you can take that this is merely a doubling of sales, of course, with the increase, but it's driven largely by ELATUS, but the other products, such as VIBRANCE and SEGURIS are in there, are also increasing significantly.

But the point about this chart, we do show this continuously. And we do relate it to products launched in the last five years, i.e., the definition of new. The purpose of showing it, really, just to keep top-of-mind the significance of innovation in this industry, that wherever we do get new technology coming through, we do get growers interested in adopting, and picking up new technology.

The most significant contribution this year in the nine months is ELATUS. And it will be the most significant contribution when we produce the full-year figures. Now, because this is a launch year and the biggest market for Solatenol, which is the active ingredient behind ELATUS, then -- and mixture will be launching in North America which isn't as big a market, you wouldn't expect the rate of growth to be the same -- at the same level. So the rate of growth will be less next year, but nevertheless will continue to see growth in these new products, including ELATUS.

The question of the gross margin, it comes down to production. These are sophisticated plants and a number of plants with multiple stages of sophisticated chemistry. And it takes some time to get the engineering and the production rates and the fine-tuning of the production working to the levels which are maximum. Indeed, maximum could be many years away, because there's lots of experience and technical input that you're able to build over the years that the production people were able to build over the years, which continue to improve the production efficiencies. So it's entirely related to production. And, you know, we'll see improvement year on year, beyond 2015.

Ronald Koehler – MainFirst Bank

OK, thank you.

Operator

And our final question comes from the line of John Klein from Berenberg.

John Klein – Berenberg

Good morning. I've got three questions left, actually. For the first one, if I can come back to the margins for ELATUS. I remember last time we were speaking, you said there's a massive push in the Brazilian market of your local sales force to bring the product into the market. So I just want to come back to the question of how much of that margin underperformance versus the group margin in Solatenol is related to the load factor in production/operating leverage and how much is related to actual SG&A costs that you might have increased to push the product into the market?

Second question on DURACADE. Would you be able to share with us an acreage assumption for DURACADE in 2015? You had a limited launch this year. You're planning for the full commercial launch in 2015. Is there an acreage assumption that you have internally that you would share with us?

And the third one, just a technicality, your revenue target of 6 percent organic growth, is that before or after the deduction of the glyphosate sales? Thank you.

John Ramsay

John, thanks for the questions. Just firstly on the easy one, the third one, in terms of the 6 percent, that's headline reported. So that is after any -- and taking into account glyphosate, so it's not adjusting for glyphosate. It is headline growth, so if glyphosate is a 1 percent drag, then the underlying would be 7 percent, just to make that clear.

In DURACADE, we did, I think, about 160,000 acres in 2014. And we haven't yet, you know, decided how much we're going to target for 2015. But we'll expect it to be at least -- at least that level.

So far as ELATUS is concerned, the production is the reason for the margin effect. The SG&A, yes, we've increased SG&A, as you'd expect in a launch year in Brazil, in terms of the push into the market, but then all of that is in our function expenses and is not -- I'm not attributing any of that to the comments I've made previously about the ELATUS margin, which are entirely related to production and supply chain issues.

John Klein – Berenberg

Brilliant. Thank you.

Jennifer Gough

That concludes our call today. If you have any further questions, please don't hesitate to contact me, Jennifer Gough, or Lars Oestergaard. We look forward to hearing from you. Thank you.

Operator

Thank you. That does conclude today's conference. Thank you all for participating. You may now all disconnect.

Syngenta Crop Protection AG
Corporate Affairs

PO Box
CH-4002 Basel
Switzerland
www.syngenta.com

© 2012 Syngenta International AG, Basel, Switzerland. All rights reserved.

The SYNGENTA Wordmark, BRINGING PLANT POTENTIAL TO LIFE and the PURPOSE ICON graphic are registered trademarks of a Syngenta Group Company