



April 23, 2013, Basel, Switzerland

Annual General Meeting Syngenta AG

## **Chief Executive Officer's speech**

Mike Mack, CEO

Good morning ladies and gentlemen.

### **2012 overview (Slide 2)**

I would like to start by looking back on another year of the strong sales momentum which we have seen since the launch of our integrated strategy two years ago now. Sales at constant exchange rates were up 10 percent in 2012 and I'm pleased to report that both developed and emerging markets performed well.

The commercial integration of our sales force, which by mid-year was complete around the world, is contributing to this growth. It means that we have greater resources behind our seeds technology, which is continuing to prove itself in the field. This technology is a key enabler of our integrated offers and we are now undertaking a series of investments in new capacity. At the same time our world-leading crop protection business continues to grow at an impressive rate – up 9 percent last year and up 10 percent in the first quarter of 2013.

Advances in some of our key businesses during 2012 enabled us to raise our sales target for the eight key crops combined to 25 billion dollars in 2020. This illustrates our confidence in our ability to outperform a growing market.



### **2012 financial highlights (slide 3)**

In financial terms, 2012 was another record year following on from a strong 2011 performance.

Reported sales were up **7** percent at **14.2** billion dollars. At constant exchange rates, sales increased by **10** percent, and EBITDA up **17** percent, with a margin of **23.2** percent compared with **21.9** percent in 2011.

Earnings per share, excluding restructuring and impairment, were **15** percent higher at **22** dollars and **30** cents

Underlying free cash flow was strong at **0.9** billion dollars and allowed us to finance the acquisitions I have mentioned.

This strong performance has enabled us to propose a dividend increase of **19** percent to **9** Francs **50** per share.

And finally, cash flow return on investment was **15** percent, once again above our target of **12** percent.

Let me now show you some of the highlights in terms of sales growth.

### **Seeds portfolio: full year highlights (slide 4)**

Our Seeds business has achieved compound annual growth of 14 percent over the last five years. Corn has been a key driver, with our investment in germplasm and traits coming to fruition across the world.

Included in our Diverse Field Crops segment is our market leading sunflower business which is expanding rapidly in the CIS - Russia and Ukraine - as well as South East Europe. We also have a unique hybrid barley offer which last year was planted on more than 300,000 hectares in northern Europe.

Vegetables is an area of our business which has been affected by the economic environment, as consumers have traded down to lower quality produce, but I am pleased to report a noticeable upturn over the past six months.



### **Innovation in crop protection (slide 5)**

Through innovation we continue to reinforce our world leadership in crop protection. Sales of new products last year increased by 36 percent, and the compound annual rate over five years is 44 percent.

The last two products mentioned on the right here - the fungicide SEGURIS and the seed treatment VIBRANCE – were launched in the last three years. Their sales in 2012 were therefore relatively small, but they have significant growth potential over the coming years.

### **Acquisitions expanding technology breadth (slide 6)**

As I mentioned at the beginning, 2012 was a year of significant acquisitions. Our strategy is to seek out opportunities that complement our existing portfolio and R&D projects, and fit well with our crop strategies. Devgen and Pasteuria, both completed last year, are excellent examples of this.

Devgen will further accelerate our growth in rice by adding best-in-class hybrids to our strong crop protection offer. The development of its RNAi technology will expand the scope of insect and disease control within both chemicals and seeds.

Pasteuria brings us a biological platform for nematode control which will expand the franchise we already have with AVICTA. The lower chart shows its success in trials versus a leading competitor. The Pasteuria production process for soil bacteria is already scaled-up and we recently received registration in the US for the first product, to control soybean cyst nematode, which will be launched next year.

### **Increasing cash return to shareholders (slide 7)**

I would like to conclude my review of the financial performance with our track record on earnings and dividends. This slide shows earnings per share in the bars with the axis on the left, while the line represents dividends declared against the right axis.

Over the last 5 years we have generated double digit annual earnings per share growth. Over the same period dividend growth has been faster as we have placed greater importance on this component of cash return to shareholders.



For 2012 the proposed dividend of **9 Francs 50** is again ahead of earnings per share growth of **15** percent.

While we retain the flexibility to undertake tactical share buybacks when appropriate, let me take this opportunity to confirm our commitment to delivering sustainable dividend increases.

Turning now to the longer term outlook for our company.

### **Long term growth objective raised (slide 8)**

The increase in our sales target for key crops to 25 billion dollars in 2020 shows that integration is driving an even higher rate of growth than we could have achieved under our previous product-based business model.

Since the launch of our new strategy, we have focused in deeply on the potential for each of the eight key crops. The strength of our offer and the richness of our pipelines have resulted in the raised sales forecasts for corn, cereals and rice that you see here.

### **The challenge of feeding more people sustainably (slide 9)**

Long term growth is an imperative for our industry in order to ensure food security for a growing world population. Those of you who have seen our annual report will recognize some of the challenges mentioned here. There are 80 million more mouths to feed every year....and the farmland available to grow food is diminishing. Water resources are also limited, and if you consider the water requirements for producing food, each person is consuming the equivalent of 2000 liters per day. Finally, farmers are a shrinking part of the world's population, with urbanization reducing the number of people available and willing to work on the land.

Growing demand and pressure on supply means higher prices for food, as Martin Taylor mentioned. These hit the populations of poorer countries the hardest.



### **Poorer populations exposed to rising food prices (slide 10)**

The bars on the left hand side of this chart show the percentage of household spending allocated to food in different countries. On the right hand side in the green bubbles you can see what this represents in absolute dollars.

So in Egypt and Pakistan, for example, food accounts for close to 50% of the family spend. Egypt is still the richer country of the two, so the absolute amount is higher. But if you look at the amounts for India and China as well as Pakistan, you can see that well over one third of the world is subsisting on an average of just seven dollars a week.

The three developed countries at the bottom of the chart spend on average more than 8 times that amount. And yet in the case of the United States and Switzerland, food represents less than 10 percent of total household spending. This means that people in emerging markets, many of whom are already undernourished even though they are farmers themselves, are much more affected than we are here when food prices rise. The world must therefore address the twin challenges of raising rural prosperity and alleviating the malnutrition currently endured by more than a billion people. Agricultural productivity, enabled through technology, can do this.

### **Targeting global growth: emerging market focus (slide 11)**

I showed you just now our 2020 sales objective by crop. This chart shows the same objective split by region. Our aim is to raise productivity in those regions which need it the most, and this is encapsulated in a forecast growth rate for the emerging markets in Asia Pacific, Latin America and Eastern Europe of just over 10 percent. We will leverage our technology across regions, adapting it in tailored models to meet the needs of smallholder farmers.

Over the same period the developed markets of Europe and North America will grow at an estimated rate of around five percent per annum with ongoing innovation and the benefit of new integrated offers.



### **Improving land productivity: the Africa opportunity (slide 12)**

One of the key emerging market opportunities is Africa, which has more land under cultivation than either India or China – and more than the large agricultural economies of Brazil and Russia combined. But yield per acre is woefully low owing to a chronic lack of technology and expertise, and is demonstrably inadequate when it comes to feeding a population which already stands at over one billion and is set to almost double by 2050.

Last year, in the framework of the G8 Symposium on food security, Syngenta announced a commitment to reach more than five million African farmers over the next 10 years and to enable productivity gains of 50 percent. To do so we will invest 500 million dollars and will recruit and train more than 700 new local employees. By 2022 we expect to have built a one billion dollar business in Africa.

### **Land pressure: preserving the environment (slide 13)**

Land productivity though is not simply a question of yield per acre. For Syngenta, preserving and indeed enhancing the environment go hand in hand with the application of modern technology. Several years ago now we launched Operation Pollinator, which encourages farmers to use field margins to create natural habitats for wild life. The areas targeted have seen a seven-fold increase in bumblebees and a twelve-fold increase in butterflies. For the farmer, the advantage is clear – improved crop yields through better pollination. We are targeting 250,000 hectares of these field margins in Europe by the end of the decade.

### **Resource pressure: more efficient water use (slide 14)**

Agriculture uses 70 percent of the world's fresh water. This in itself is a clarion call to find more efficient ways of using it. That call became more strident last year with the devastating drought in the US which caused a significant drop in corn yields.

We're deploying multiple technologies to enable growers to make the best use of available water. The photograph shows an irrigation pivot which simultaneously delivers water and crop protection with yield-enhancing properties. The delivery is controlled through remote crop monitoring which ensures timely application and no waste.



**Labor pressures: rice example (slide 15)**

The manual planting of rice is labor intensive and is back-breaking work. Not surprisingly then it has become problematic for growers to find the workers they need. When we met last year, I described to you our TEGRA system based on healthy seedlings raised in a tray which are then transplanted mechanically. This solution is convenient and solves the problem of labor availability. What's more, with the help of an agronomy protocol supplied after planting, yields are increased by an average of 30 percent. The number of growers now using the TEGRA system is expanding rapidly.

**Raising productivity in sustainable ways (slide 16)**

Ladies and gentlemen, you have heard a lot about our integrated strategy and the promise it holds for the growth of our business. At its simplest level, the strategy means bringing together our crop protection and seeds businesses to create combined offers that deliver superior results for growers.

However, I hope that I have given you today a glimpse of how broad our view of agriculture is, and of how seriously we take not only our responsibility to growers but also to the land they farm, and to the people who depend on their output.

Our offer is based on technology. Our ambition is founded in the desire to create strong rural economies and to enable farmers to be sound stewards of their land while generating better incomes, increasing output and improving food quality.



**Syngenta Employees (slide 17)**

Our most important assets in realizing that ambition are the more than 27,000 Syngenta employees worldwide. To them I should like to extend my thanks for their enthusiasm and dedication over the past year.

I also want to take a moment to honor the memory of Sandro Aruffo, Head of Research and Development until his death early this year. Sandro had a passion for our company and its culture and played a pivotal role in helping to deliver the integrated strategy. We have a stronger R&D function as a consequence of his insight and strategic leadership.

Finally, ladies and gentleman, I should like to thank you for your presence here today and for your steadfast support of our company as we work to grow our business and fulfill our formidable ambition.

Thank you.

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