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EDITED TRANSCRIPT

ADM - Q3 2012 Archer Daniels Midland Co Earnings Conference Call

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OVERVIEW:

ADM reported 3Q12 net earnings of $399m and fully diluted EPS of $0.60. 3Q12 adjusted EPS (including LIFO) was $0.78.

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CORPORATE PARTICIPANTS

Ruth Ann Wisener *Archer Daniels Midland Company - VP, IR*

Pat Woertz *Archer Daniels Midland Company - Chairman, President & CEO*

Ray Young *Archer Daniels Midland Company - SVP & CFO*

Juan Luciano *Archer Daniels Midland Company - EVP & COO*

Craig Huss *Archer Daniels Midland Company - SVP & Chief Risk Officer*

CONFERENCE CALL PARTICIPANTS

Ken Zaslow *BMO Capital Markets - Analyst*

David Driscoll *Citi - Analyst*

Christina McGlone *Deutsche Bank - Analyst*

Robert Moskow *Credit Suisse - Analyst*

Diane Geissler *Credit Agricole Securities - Analyst*

Lindsay Drucker Mann *Goldman Sachs - Analyst*

John Roberts *Buckingham Research - Analyst*

Ann Gurkin *Davenport & Company - Analyst*

Christine McCracken *Cleveland Research - Analyst*

Ian Horowitz *Topeka Capital Markets - Analyst*

PRESENTATION

Operator

Good morning and welcome to the Archer Daniels Midland third-quarter 2012 earnings conference call. All lines have been placed on a listen-only mode to prevent background noise. As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference call, Ms. Ruth Ann Wisener, Vice President, Investor Relations for Archer Daniels Midland Company. Ms. Wisener, you may begin.

Ruth Ann Wisener - *Archer Daniels Midland Company - VP, IR*

Thank you, Christie. Good morning and welcome to ADM's third-quarter earnings conference call.

Before we begin, I would like to remind you that we are Webcasting this presentation on our website, ADM.com. The replay will also be available at that address.

For those following the presentation, please turn to slide two, the Company's Safe Harbor statement, which says that some of the comments constitute forward-looking statements that reflect management's current views and estimates of future economic circumstances, industry conditions, company performance, and financial results. Statements are based on many assumptions and factors, including availability and prices of raw materials, market conditions, operating efficiencies, access to capital, and actions of government.

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Any changes in such assumptions or factors could produce significantly different results. To the extent permitted under applicable law, the Company assumes no obligation to update any forward-looking statements as a result of new information or future events.

Please turn to slide three.

On today's call our Chairman and Chief Executive Officer, Pat Woertz, will provide an overview of the quarter. Our Senior Vice President and Chief Financial Officer, Ray Young, will review financial highlights and corporate results. Our Executive Vice president and Chief Operating Officer, Juan Luciano, will review our operations and outlook.

Ray will discuss some upcoming changes in our financial reporting and then Craig Huss, our Senior Vice President and Chief Risk Officer, will join Pat, Ray, and Juan during the question-and-answer portion of the call. Please turn to slide four.

I will now turn the call over to Pat.

Pat Woertz - *Archer Daniels Midland Company - Chairman, President & CEO*

Thank you, Ruth Ann, and welcome, everyone, to our third-quarter conference call. This morning we reported third-quarter net earnings $399 million, or $0.60 per share, on a fully diluted basis. Our adjusted EPS was a solid $0.78 per share. Segment operating profit was $887 million.

We delivered very good results this quarter despite difficult margin environments, particularly in ethanol and European oilseeds. The strong third quarter last year set a high bar and this quarter represents a solid performance by the ADM team.

In the quarter, we continued our efforts to drive shareholder returns. With Wilmar we finalized our partnership agreements in fertilizer, ocean freight, and European tropical oil refining. These are subject to regulatory approval.

We began and have substantially completed our global workforce restructuring. We now expect this, combined with other efforts, will result in an annual cash run rate savings in excess of $150 million, up from our prior estimate of $125 million. And we returned $171 million to shareholders this quarter, buying back nearly 2 million shares.

Looking ahead, planting is underway in North America and we are encouraged by the projected corn and soybean acreage. Meanwhile, we will continue to deliver our global origination processing and transportation network to deliver products to our customers and returns to our shareholders.

As Ruth Ann mentioned, before we take your questions today Ray will discuss the few important changes regarding some of our accounting and reporting. Now I will turn the call over to Ray.

Ray Young - *Archer Daniels Midland Company - SVP & CFO*

Thanks, Pat, and good morning, everyone. Slide five provides some financial highlights for the quarter, which I will run through briefly.

As Pat noted, segment operating profit was a solid $887 million, down from last year's very strong result of $1 billion. Quarterly net earnings were $399 million, down 31% from last year's third quarter.

Looking at our effective income tax rate for the quarter we recorded taxes at 29%, resulting in the cumulative rate of 30%. We continue to believe that 30% is a good estimate for the fiscal year.

Our earnings per share were $0.60 on a fully diluted basis compared to last year's $0.86. Adjusting for specified items, including LIFO, ADM [earned] $0.78 per share compared to last year's $0.89 per share. On chart 19 in the appendix you can see the reconciliation of reported earnings to adjusted earnings for the third quarter of fiscal year 2012 to fiscal year 2011.

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Our standard LIFO-adjusted, four-quarter trailing ROIC of 5.6% was below our WACC by 50 basis points. Excluding other specified items, our adjusted ROIC of 6.9% was above our WACC by 80 basis points.

Slide six provides an operating profit summary and the components of our corporate line. Juan will talk about the business segments' results in his update.

Let me touch on a few items of significance in the corporate line. I touched upon LIFO earlier. Market prices for our LIFO-based inventories rose in the third quarter, resulting in a charge of $107 million compared to a charge of $43 million last year. Our interest expense is lower due to lower interest rates and lower debt levels.

Unallocated corporate costs include the $74 million of restructuring charges mainly related to our global workforce reduction. Excluding this charge, corporate costs are down year over year.

Turning to the cash flow segment on slide seven, we generated $1.9 billion in cash from operations before working capital changes in the first nine months of 2012 compared to $2.2 billion in the same period last year. Working capital was a source of cash to us of about $300 million. This includes approximately $1 billion of cash generated from the sale of trade receivables executed during the quarter. Last year working capital was a significant use of cash of almost $7 billion.

We made capital investments of $1.2 billion the first nine months of 2012. In addition, we spent $239 million in acquisitions of assets. We are on track to spend to our combined target of capital spending and acquisitions of approximately $1.7 billion for this fiscal year.

Our net debt decreased by about $100 million during the first nine months of the year. For the quarter, we returned $171 million to shareholders in the form of dividends and share buybacks. For the first nine months we returned $822 million.

In this quarter we bought back 1.9 million shares, bringing our fiscal year repurchases to 17 million shares. Of the 44 million shares issued in June 2011 related to the equity unit conversion, we have already bought back to date 29 million shares. We expect our average shares outstanding for this fiscal year to be approximately 665 million shares.

Slide eight shows the highlights of our balance sheet. Third-quarter cash on hand was approximately $1.2 billion. Our operating working capital was about $15 billion, of which $13 billion was inventories. Total debt was about $10 billion, up slightly from the level at the beginning of the quarter. Total shareholders' equity stood at about $18.5 billion.

We had $1.2 billion outstanding in commercial paper and we had available credit capacity of $3.1 billion in US commercial paper and $1.6 billion in other global credit lines. I also want to note that of the $13 billion of inventories about $9 billion is readily marketable.

We believe this strong balance sheet continues to provide us with financial flexibility to manage our business in volatile markets, continuing to invest for profitable growth. Next, Juan, will take us through an operational review for the quarter. Juan?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

Thanks, Ray. Good morning to everyone on the call. Beginning on slide nine I will take you through the highlights of each of our business segments. Then I will provide our current assessment of market conditions and their implications for ADM.

In Oilseeds processing, our operating profit in the third quarter was $395 million, down $117 million from the same period last year. Last year's third quarter included significant timing gains. Excluding these gains, this year's results were comparable to last year's good results.

We also saw sequential improvement in our profits over the course of this fiscal year from an improving margin environment, stronger demand for North American meal, and origination opportunities in South America. Crushing and origination operating profit was $271 million. Improved results in North and South America were more than offset by a continued weakness in Europe.

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Tight South American crop supplies led to increased soybean meal exports from North America. And in South America, favorable positioning and increased farmer selling due to higher crop prices and favorable exchange rates lead to good grain origination results.

Refining, packaging, biodiesel and other generated a profit of $75 million for the quarter, down $14 million on weaker biodiesel results from North and South America. Oilseeds results in Asia for the quarter were up $31 million over the prior year's third quarter, principally reflecting ADM's share of the results from our equity investee, Wilmar International Ltd.

As Pat mentioned, this quarter in Oilseeds we finalized partnership agreements with Wilmar in fertilizer, ocean freight, and European tropical oil refining. We are working together with Wilmar to prepare for implementation in tropical oils and fertilizers, and in ocean freight we are contributing our vessels and expect the venture to be operational in May.

Please turn now to slide 10. As you see, Corn Processing operating profit was $130 million, a decrease of $74 million from the same period last year. Sweeteners and starches operating profit increased $47 million to $93 million. Export demand for sweeteners remains strong and average selling prices rose as new sweetener contracts came into effect through the quarter.

Bioproducts results in the quarter decreased $121 million to $37 million. Ethanol margins remained weak through the quarter, having excess industry production that lessened through the quarter. Results also reflect a $14 million charge related to the closure of ADM's 30 million gallon per year ethanol dry mill at Walhalla, North Dakota. There was also a recovery of $4 million of PHA-related inventories; that is why you see $10 million in restructuring and other exit costs in the bar graph.

Turning to slide 11, you will see a review of our Ag Services segment. Operating profit was $179 million, up $8 million from the same period a year ago, and consistent with our recent historical quarterly range of $150 million to $200 million. Merchandising and handling earnings were stable.

ADM's flaxseed and other international merchandising operations saw good volumes and margins while North American grain export volumes were down due to low US crops inventories. Earnings from transportation operations rose $7 million.

On slide 12 you can see highlights from our other businesses. In the third quarter profits from ADM's other businesses was $183 million, up $64 million from the same period one year earlier. Excluding net timing effects, the results in Other were comparable to last year's results.

In Other Processing profits rose $105 million to $201 million. Cocoa results this quarter were impacted by $72 million in mark-to-market net timing gains. The underlying performance in cocoa remains strong, driven by good cocoa press margins.

Wheat milling results, including ADM's share of Gruma, were essentially flat. Other financial declined $41 million to a loss of $18 million due to losses at ADM's captive insurance subsidiary related to crop risk and property reserves.

Turning to slide 13, we want to provide some perspective on current market conditions and their implications for ADM. The South American harvest, while smaller than expected, is improving global soybean supplies as it comes on to the market. That is also reducing demand for mill exports from the US, pressure in margins, and reducing run rates there.

Longer-term global protein meal demand continues to grow and improved capacity utilization should strengthen industry margin structure over time. We are managing our regional processing capacity to better align supply and demand.

In Corn Processing, poor ethanol margins led to reduced industry production. This has driven a better balance of supply and demand, which should help industry margins. Strong demand for our corn wet milling portfolio, led by export of HFCS has led to good capacity utilization and we expect to see that continue.

While farmers in the US are planting expanded corn and soybean acreage, global supplies of those crops should tighten through the North American harvest. And in wheat we see an ample global supply. As we move into the summer growing season, ADM will have to carefully manage through the tight supply and commodity price inverse .

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Now I will turn the call back to

Ray Young - *Archer Daniels Midland Company - SVP & CFO*

Thanks, Juan. As you know, we announced in March a realignment of how we manage our business. I want to explain how we will be reporting our segments going forward to lineup with how we are managing our businesses.

Going forward, we will report cocoa results as part of a new category in Oilseeds called Cocoa and Others. This category will include our cocoa processing results as well as the results from our peanut business and our cellulose business. In Ag Services we will have a new category called Milling and Other. This category will include the results of our milling businesses as well as a result from Alliance Nutrition, Edible Beans, and our investments in Gruma.

Our Other reporting segment will continue to include the results of ADM Investor Services and our captive insurance operations.

Also starting in the fourth quarter, we will move working capital interest expenses from the business segments to the corporate line. Currently this interest expense is spread among the business units and corporate. This approach is consistent with many other companies.

This will effectively move about $20 million to $30 million of interest expense per quarter from the segment operating profit to the corporate expense line.

Lastly, I want to highlight an important change we plan to make relating to fiscal year reporting. As you know, we currently have a June 30 fiscal year-end. This was largely driven by the US crop year.

As we have become a more global company, the US crop year has less relevance to our financial cycle and we have a lot more reporting on a statutory basis and tax basis that is tied to the calendar year. Also, many of our business contracts are tied to the calendar year.

Therefore, to streamline our internal processes and eliminate redundancy and waste, we plan to move to a calendar year fiscal year starting on January 1, 2013. This means that we will have a stub fiscal year from July 1, 2012, to December 31, 2012. This plan change was approved by our audit committee yesterday and is subject to final approval by our board at its meeting on May 3.

Now let me turn it over to Pat.

Pat Woertz - *Archer Daniels Midland Company - Chairman, President & CEO*

Thank you, Ray and Juan. Before we take your questions, let me just recap.

We had a very good quarter. We saw the value of our diverse global footprint. We remain focused on shareholder value. We expect upwards of $150 million in ongoing savings from our reorganization efforts and we continue to buy back shares. And as Ray mentioned, we have had some changes in our accounting and reporting.

So Craig will now join Juan, Ray, and me for the Q&A. Christie, could you please open the line for questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ken Zaslow, BMO Capital Markets.

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Ken Zaslow - *BMO Capital Markets - Analyst*

Good morning, everyone. Just two questions. One is can you talk about the implications of the smaller South American crop on how the trade flow will be out of the US over the next six to 12 months; the crush margin outlook for North America and how will it also affect South America?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

Sure, Ken, yes. This is Juan, good morning. What we see this year with the tighter South American crop is that Argentina is the largest exporter of meal. We see the supply from South America being maybe 15% smaller, so certainly we have seen a little bit of those supplies pushed to the US. So we have been exporting a little bit more; that is why you see probably we had a little bit better March than we expected in Oilseeds.

We see in that window that traditionally now a supply shift to South America may be expanding a little bit to the US, and also may be shrinking a little bit over the summer. So we have seen that as a positive. There may be some implications also from some of the other products in our portfolio, like cottonseed or other of our oilseed products, as people look for alternatives to soybean meal. So that is what we see overall. Although it's early, we can see that already in March and April, Ken.

Ken Zaslow - *BMO Capital Markets - Analyst*

My second question is on the high fructose corn syrup side of your business, the hedging -- I am assuming any sort of repercussions from last year are all done. So I am assuming this is the final quarter that has any sort of negative mark-to-market or anything going on in it, so next quarter should be full economic results of the business?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

That is correct, Ken. Yes.

Ken Zaslow - *BMO Capital Markets - Analyst*

And how much was the implication in this current quarter?

Ray Young - *Archer Daniels Midland Company - SVP & CFO*

It's actually minimal, Ken, on this quarter and our results for this third quarter. As Juan indicated, the contracts rolled in over the course of the third quarter and so effectively the residual impact of all the hedging we had done last year it has basically washed through.

Ken Zaslow - *BMO Capital Markets - Analyst*

Okay. So this is actually the right run rate then, the current quarter?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

I would say, Ken, during this quarter we were still implementing the price increases. Some of our contracts were -- had implementations based on maybe February or late February, so I will say probably next quarter will be a true reflection of the new contracts being implemented with the new prices.

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Ken Zaslow - *BMO Capital Markets - Analyst*

Right. Greatly appreciate it, thank you.

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

Welcome.

Operator

David Driscoll, Citi.

David Driscoll - *Citi - Analyst*

Thanks a lot. Good morning, everyone. Wanted to just talk to about E15 a little bit, Pat. We have seen -- I don't know, there has been press articles out there recently talking about how Toyota has gas caps that they started to put on, I think, last year that says it has got a big X marked through E15 and E85 on the bulk of their vehicles. And Ford publicly states that it doesn't support E15 in its legacy vehicles.

What do you make of this resistance from the automakers in the adoption of E15? So that is kind of the first question on ethanol.

Pat Woertz - *Archer Daniels Midland Company - Chairman, President & CEO*

Juan is becoming our E15 expert here, so I am going to let him remark on that.

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

David, listen, I think, first of all, the implementation of E15 is certainly important for us in the long term. I don't think we should see a lot of that being impacting our numbers in this calendar year.

And I have been through implementations of these things in different countries. I remember I landed in Brazil when they were talking to ethanol flexfuels and all that. You always hear all kinds of concerns at the beginning and at the end of the day economic rationale prevails.

At this point in time, with all the governments having so much budgetary issues, you have ethanol having a dollar advantage over gasoline. I think it's something that implementation will help. And I think all the stakeholders in all this wants to make sure that all the I's are dotted and the T's are crossed before they launch into this. So we are working with all the constituencies through our associations to make sure everybody is comfortable.

But I think that people are bringing up issues and we try to bring some science and solve those issues to give comfort to the people. So it's a long process but I think if you look from our previous call into this call, we made steady progress and steps continue to be completed. So we feel that -- we continue to feel that you are going to see some E15 on gas stations probably by the summer and probably you will see maybe a little bit more of a financial impact in the industry on our business, probably in 2013.

David Driscoll - *Citi - Analyst*

And then just to follow-up on ethanol, so margins just by our calculations continue to remain very weak. I noticed here you guys have closed a small dry mill. Do you see significant capacity closures going on this time? Can you frame up what you have been seeing industry-wide in US ethanol?

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Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

Yes, David, we probably saw -- as you pointed out, we shut down a small plant, mostly because we want to continue to improve our competitive position. We don't think it's going to make a big dent into the industry. It was probably 1.5% of our own capacity.

But I think from an industry perspective, we have seen like probably 14, 15 plants coming down. Part of that is the maintenance schedule that they are in, but part of that is we believe that these plants will have difficulties getting their hands on corn for the next couple months. I think people tend to have maybe 30 days of coverage, so we expect sometime in May people start running out of that.

So we expect that cycle to perform like last year in which we see this decline in margins. People having difficulty getting to old crop corn, and then shut down capacity and supply and demand matches. And then we see the expansion in margins.

We haven't seen that yet, to be honest. We will see probably that later in this quarter, full effect probably next quarter.

David Driscoll - *Citi - Analyst*

So June quarter still tough; the quarter after that maybe partially tough but improving?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

Correct.

David Driscoll - *Citi - Analyst*

Okay, thank you. I will pass it along.

Operator

Christina McGlone, Deutsche Bank.

Christina McGlone - *Deutsche Bank - Analyst*

Thanks, good morning. Just a question on the cost savings. For the $150 million for the global workforce reduction, did you realize any this quarter or does it start really in the June quarter now?

Ray Young - *Archer Daniels Midland Company - SVP & CFO*

Basically, we implemented it over the course of this third quarter so we will start really seeing the benefits flow through in the fourth quarter. We won't see the full benefits until really March 31, 2013, because some of the reductions and retirements will occur over the course of this particular period.

Christina McGlone - *Deutsche Bank - Analyst*

Okay. But it will help the June quarter somewhat?

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Ray Young - *Archer Daniels Midland Company - SVP & CFO*

Yes, correct.

Christina McGlone - *Deutsche Bank - Analyst*

And then I think there was some confusion in the analyst day; with the Wilmar joint venture I think the savings were $30 million to $40 million per year. And we weren't sure if that was ADM's share or the total share, and then when will we start to see that?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

Yes, Christina, this is Juan. That is probably the ADM share that we described of those savings, and that probably will happen -- that will be a run rate probably in a couple of quarters. We are still in the process of filing our approvals and all that, so we have signed with them. In some parts like ocean freight, we have started some elements of the optimization in fertilizers, but the big chunk of it will probably take 30 to 60 days to be implemented.

Christina McGlone - *Deutsche Bank - Analyst*

Okay. Then for bioproducts in the quarter it was better than I expected. I am just curious did you make money in ethanol in the quarter or was that lysine and other amino acids that made up for a weak ethanol?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

I think, Christina, you know ethanol margins were tough but we always talked about the strength of our cost position and we being better than the industry, our integration. And I think the strength of our wet milling portfolio -- don't forget we have also some feeder specialties and food specialties there. We have a good quarter on lysine, so all that contributes.

Christina McGlone - *Deutsche Bank - Analyst*

Okay. And then last question, just building on Ken Zaslow's. When you talk about -- if we think about the fall and we don't have a South American [hale] to compete with, so you would think US crush margins would improve. But given the price of soybean meal, do you think it's pricing itself out of rations? How do you look at soybean meal demand, even as we head into new harvest?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

During the quarter, we actually saw good demand, both for exports and domestic. I think as we saw it later in the quarter with soybean rally against corn we saw a little bit of the opposite, which you are describing. So we are constantly looking at these transitions, if you will, but at this point in time into the Q4 we are still seeing probably better demand for North America than we would expect for this time of the year.

So the seasonality seems a little bit better for us this year than last year, probably reflecting the weakness in South America.

Christina McGlone - *Deutsche Bank - Analyst*

Okay, thank you.

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Operator

Robert Moskow, Credit Suisse.

Robert Moskow - *Credit Suisse - Analyst*

Couple of quick questions. One is you mentioned that you will be eliminating some redundancies by shifting to a calendar year. Can you help us quantify what those savings are, and are they already in your $150 million corporate savings target?

Secondly, Europe -- you know, you mentioned Europe was week. Just had an analyst day in Europe; can you give us a sense of what needs to change in Europe in order for conditions to get better? Actually I have a follow-up on ethanol, if I could.

Ray Young - *Archer Daniels Midland Company - SVP & CFO*

Rob, it's Ray. For the purposes of your modeling you can assume that some of the cost savings are already in our run rate that we provided to you. Frankly speaking, there is a lot of intangible benefits of improving processes that are non-quantifiable.

And, frankly, as we implement this we will see other benefits flow through. But I think for purposes of your modeling I think it's safe just to use the run rate savings that we provided to you.

Robert Moskow - *Credit Suisse - Analyst*

Okay. Europe?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

I will take Europe, Rob. This is Juan. You know margins continue to be under pressure in Europe as oil values remain depressed. Basically, biodiesel demand has been very low during the quarter, mostly due to extremely cold temperatures that we experienced.

So as a result of this the market continues to work through big oil inventories. So we are expecting -- we are going into the fourth quarter we are taking several measures. We are taking some of our -- we adjust some of our capacity.

We have shifted part of our capacity from rape to soy as we see soy margins, crushing margins, a little bit better since there is a smaller crop in South America offering some support there. Obviously, we can only do this for a part of our operations.

Also, diesel demand is expected to rebound on weather improvement and probably increase [to resume] this time of the year, so we expect some improvement in margins still being tough. You know that the rapeseed crop there is like a six-year low, if you will, so we are going to continue to see pressure in getting rape seeds. But as I said, from a market perspective we expect a slight improvement.

Robert Moskow - *Credit Suisse - Analyst*

Okay, thanks. Just a follow-up, I was talking to an industry participant in US ethanol and he said that his outlook for exports is a lot higher because the values here, the corn ethanol values have come down so much and it's now more economical. Can you tell us what your outlook is for exports to Brazil and other countries?

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Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

We have been working, obviously, since last year on developing export programs. They take a while; obviously, you need some qualifications and all that.

We haven't seen the (inaudible) that we wanted so far. We are still hopeful that they will improve, but we haven't seen that yet. The economic incentive is there certainly, but there seems to be a little bit more than just the economic incentive for this to happen right now.

Robert Moskow - *Credit Suisse - Analyst*

Juan, do you think total industry exports will be flat versus year ago or do you think they will be down a little bit?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

I think the view is about 800 million gallons, something in that range for the year.

Robert Moskow - *Credit Suisse - Analyst*

For this year. So down versus year ago?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

A little bit, a little bit.

Robert Moskow - *Credit Suisse - Analyst*

All right, thank you.

Operator

Diane Geissler, CLSA.

Diane Geissler - *Credit Agricole Securities - Analyst*

Good morning. I wanted to get some help on the quantification of your positions in the quarter. You noted sort of a benefit in your origination in the Oilseeds.

Then just have a bit of clarity on the cocoa, because I know the last couple of quarters you have had, obviously, a big negative mark-to-market. You regained some of that in the third quarter. I think there is probably still a little bit more to go in the fourth quarter. But if you could just help me kind of on where you are position-wise, obviously without giving out your book, but just kind of how it impacted your third quarter within grains, origination within the Oilseeds, and then also the cocoa that would be helpful.

Ray Young - *Archer Daniels Midland Company - SVP & CFO*

Diane, it's Ray here. Yes, we did indicate that we did have some positive positioning benefits in our results. If you recall in Hamburg when we met we provided some level of indication where we were in the quarter.

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As it turned out March ended up stronger than we had thought when we met in Hamburg. Part of it's due to the fact that in South America origination good volumes and actually some good positioning down there. We had some good positioning in North American soft seeds as well.

And with respect to cocoa, in terms of the mark-to-market timing effect, if you recall in the last quarterly call we indicated there was about $100 million of negative -- accumulated negative mark-to-market that would unwind over the course of the future. The net timing effect that we identified in this quarter was approximately $70 million, so if you do the mathematics then there is still about $30 million of cumulative negative mark-to-market impacts that will unwind in the future. Again, it's going to unwind in the future, the timing to be determined, Diane.

Diane Geissler - *Credit Agricole Securities - Analyst*

Sure. It seems to me that you had been working to restructure something within that operation, the accounting around it so it wouldn't be as volatile in the future. So I guess my question is if you think you can get it wrapped up in the fourth quarter here as we move into your next fiscal year, which I appreciate will now be a stub year? But can we expect that business line to be a little less volatile, or do you have the same sort of issues going forward just in terms of the volatility?

Ray Young - *Archer Daniels Midland Company - SVP & CFO*

I guess we have made a lot of progress in terms of dampening a lot of these accounting impacts over the past year, whether it be to oilseeds timing effect. I think we have mitigated that. We have mitigated somewhat the corn hedging as well by using a lot more hedge accounting there.

The last piece, frankly speaking, is this cocoa mark-to-market timing effect. I think we are positively encouraged that come the first quarter of the next fiscal year that we will hopefully be able to mitigate that as well.

We are still working on that; we are finalizing it. But, Diane, hopefully as we start off the new fiscal year you won't hear me talk about mark-to-market timing effects as much, or at all, in terms of our future results.

Diane Geissler - *Credit Agricole Securities - Analyst*

Okay. Then I wanted to ask you about global meal demand. I think you have had some positive comments here, but could you talk about in particular Asia and then sort of what you are seeing with the North American industry, which has been sort of in caught mode now for some time? Are you starting to see some movement toward any expansion there?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

Yes, Diane, this is Juan. Asia, we have seen China continue to have this appetite for more meal. I think imports have been up, like, 20% this calendar year versus last calendar year. We have seen, as I said in my remarks, in North America expanded demand both in exports, and we have been exporting to several countries -- Philippines, Poland, several countries in the first quarter of this calendar year -- and also domestic demand.

So I think overall was a very good quarter from a demand perspective. And so we continue to see the global trend of 3% to 4%, whatever you want to call it, but we have seen that impact in North America this time.

Diane Geissler - *Credit Agricole Securities - Analyst*

Okay. Then I guess just to the extent that we have seen the shift in acreage base from soy into corn this year; are you concerned at all about sort of supplies in the fall on the soybean side?

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Craig Huss - *Archer Daniels Midland Company - SVP & Chief Risk Officer*

This is Craig, I will take that. I think obviously we are looking at --

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Diane Geissler - *Credit Agricole Securities - Analyst*

Long way to go, I appreciate that.

Craig Huss - *Archer Daniels Midland Company - SVP & Chief Risk Officer*

We got it up to 96 million acres of corn coming. We have obviously changed the corn ratio dramatically over the last few months, and I think that you will see some leakage to beans there. We are two or three weeks ahead on our wheat crop. That is also dependent on how dry we are going into wheat harvest, but we could see another potentially million acres of beans come back to us there.

But, yes, we are very concerned about it. But we also -- when you get dislocations it provides opportunities.

Diane Geissler - *Credit Agricole Securities - Analyst*

Maybe it's more of a philosophical question. Would you rather have the acreage in corn because that benefits your Corn Processing division, or would you rather have the acreage in soy so that you can keep your plants at some optimal level of processing?

Craig Huss - *Archer Daniels Midland Company - SVP & Chief Risk Officer*

I think we would prefer margins.

Diane Geissler - *Credit Agricole Securities - Analyst*

However you get them. Yes.

Craig Huss - *Archer Daniels Midland Company - SVP & Chief Risk Officer*

It doesn't matter what we prefer actually, we just got to deal with what we get. At this point we have a very big corn number and we will see -- we are going to see some leakage from that into beans and we will also see some additional acres come into the beans from double cropping. They won't know that until they get the wheat out of the field.

Diane Geissler - *Credit Agricole Securities - Analyst*

Okay. Alright, thank you.

Operator

Lindsay Drucker Mann, Goldman Sachs.

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Lindsay Drucker Mann - *Goldman Sachs - Analyst*

Good morning, everyone. Just a couple of questions, first on China. I understand you are not necessarily as close to this market as some of your other businesses, but are you hearing anything related to price controls on vegetable oil or specifically soybean oil in that market? And does that have any bearing on industry dynamics there?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

We have seen what has happened before when there were some price controls; obviously crushing margins were reduced. Then crushing margins lately have been expanding on relatively stable soybean prices and the liberalization of price controls on oils. Now we hear again about price controls, so we expect that will have an impact in margin potentially shrinking them again, yes.

Lindsay Drucker Mann - *Goldman Sachs - Analyst*

Are there still over effects -- obviously, the crushers in China would get hurt, but in terms of just Chinese demand for soybeans and just generally global trade flows that would also be impacted?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

I think China has always been very hungry for beans and it's also very hungry for corn. I think they are also very strategic buyers, so I think potentially it could hurt the demand for beans if they are not making any money in crushing them until that corrects itself, yes.

Lindsay Drucker Mann - *Goldman Sachs - Analyst*

Okay. Then just to follow up on Rob's question on ethanol exports. Clearly the economic incentives are there, so in your opinion what are the other obstacles to exporting more ethanol?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

I think the big customer in all of this is Brazil. Brazil has adjusted, obviously, their blending rates back to 20% and now they are thinking whether to do it at 21% or 25%. I think they are dealing with their whole supply/demand issues in the sugar industry.

And so I don't know exactly why they haven't opened the doors to really advantages ethanol imports, but we are working together with our team in Brazil and certainly commercially with Petrobras and all that. So we are making the product available and hopefully that will turn out soon.

Lindsay Drucker Mann - *Goldman Sachs - Analyst*

So you are not optimistic that you could expand ethanol exports to other countries outside of Brazil?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

We have been working. We have been working in Japan and several other countries where we have sent samples and we are approval process Canada too. So there is -- obviously with a $1 under gasoline there is a lot of activity and a lot of interest; it just haven't materialized yet in sales. But certainly our teams are working on that.

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Lindsay Drucker Mann - *Goldman Sachs - Analyst*

Okay, got you. Then, lastly, another announcement about some industry consolidation close to your home turf. Do you have any thoughts on whether we are at the front of some sort of broader consolidation activity or if there is any implications from some of the combinations we have seen of late?

Pat Woertz - *Archer Daniels Midland Company - Chairman, President & CEO*

I think in general we could say that the industry is always active. Depending on what part of the region or what part of the world you look at, we are obviously looking ourselves. Things that would make sense for us strategically and meet our hurdle rates, etc., we look at.

So broadly speaking, I think the world continues to get -- obviously has the need for our products, needs for more food, more energy. And companies look at the opportunities to do that more broadly and on a global scale.

Lindsay Drucker Mann - *Goldman Sachs - Analyst*

Okay, thanks.

Operator

(Operator Instructions) John Roberts, Buckingham Research.

John Roberts - *Buckingham Research - Analyst*

Morning and thanks for the accounting changes that are coming up. I think those will be helpful.

I have a question about just whether low grain inventories are good or bad or indifferent for you. So obviously soybeans benefited but corn origination in the merchandising segment was hurt by low grain inventories. So I guess can you help us think about that?

As long as things are lower somewhere else that is okay for you, like what happened in soybeans? So US is low but Latin America was even lower in terms of inventories?

Craig Huss - *Archer Daniels Midland Company - SVP & Chief Risk Officer*

I think there are two different things to look at. One, low inventory and what it does to the margin environment. As we see a dislocation in Argentina, we think it brings value to us.

When you bring it back to the States, where we have a great deal of storage, you will look at a different thing and that is what is the -- we have large crops and big carries as a tool. It's a moneymaking tool for us. So we obviously look at, for example, the big corn crop as an opportunity going forward to bring returns.

The tight soybeans that we look forward to next year we hope will bring margins, but again it takes away from that ability to store. So it's both sides; the margins and then the storage that we have and the ability to get returns from carries in the market.

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John Roberts - *Buckingham Research - Analyst*

Okay. Secondly, Ray, the weighted average return on capital continued to drift down to actually underneath the cost of capital in the current quarter. With the recent shift to short-term capital spending projects that have quick paybacks, is that -- are we going to start to see that flip here in the next quarter?

Ray Young - *Archer Daniels Midland Company - SVP & CFO*

Yes, I think there has been a lot of focus on our capital returns. I think that when you take a look at our spread over WACC that is again a four-quarter trailing average number. Again, the reported number, if you recall, also includes the restructuring charges so, therefore, we look at the adjusted number in order to exclude the restructuring charges.

So that is still above WACC, but I agree we have seen some compression in terms of that particular spread. I think it's fair to say that we have got good capital discipline. I think Juan has talked a lot about that and we are confident that if we execute the way we want to execute that will get this spread back up to our long-term target of 200 basis points.

John Roberts - *Buckingham Research - Analyst*

Thank you.

Operator

Ann Gurkin, Davenport.

Ann Gurkin - *Davenport & Company - Analyst*

Good morning. We were positively surprised by your results in Oilseeds crushing and origination. I am just curious how that compared versus your internal expectations.

Then also are there any other capacity factors coming out of that business?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

Yes, Ann, this is Juan. I will say probably March was a little bit better than we expected. By the time we normally go to March we forecasted that there is a shift to South American supply and probably this year demand remained stronger for the US.

As I said, mostly in exports that was the biggest probably surprise. Then also we have seen in March the fact that with the real and dollar relationship the farmers in Brazil were much more willing sellers, and I think that increased, obviously, grain sales in Brazil. So our origination, which is reported under Oilseeds in Brazil, had probably a better March than we were expecting to.

Ann Gurkin - *Davenport & Company - Analyst*

Okay. Then any more capacity coming out that you have heard of in North America?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

No, actually at the moment everybody is running pretty happy so.

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Ann Gurkin - *Davenport & Company - Analyst*

Okay. Then can you just refresh me where you are with global asset review? Are you pretty much done with that intense review, or where are we in that process?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

Yes, we are always reviewing, but I will say the bulk of it we have done it already.

Ann Gurkin - *Davenport & Company - Analyst*

Okay, that is great. Thank you.

Operator

Christine McCracken, Cleveland Research.

Christine McCracken - *Cleveland Research - Analyst*

Good morning. Just in terms of your comments on corn supplies possibly affecting ethanol volumes, have you seen any impact from corn quality issues on overall availability of corn or basis levels in general? Maybe you can comment on the possible impact of that.

Craig Huss - *Archer Daniels Midland Company - SVP & Chief Risk Officer*

Christine, this is Craig. No, I don't think quality has come into the picture yet. There is a dislocation this year that is -- as the crop is more in the West and in the Northwest and we think some of the eastern plants may have some issues and some of the destination plants could have some issues. But there is a degree of corn ownership, as Juan mentioned earlier, probably 30 days.

From that point, as you reach -- the basis levels are very high and as we invert these markets it makes it very difficult. Then when you get any kind of flat price breaks we see export demand come in and that tends to give more competition for those eastern and central plants as they draw the same corn that the ethanol plants are trying to purchase.

Christine McCracken - *Cleveland Research - Analyst*

Okay, that makes sense. Then just in terms of soy, if you look at balance sheet there I suspect that things are going to get awfully tight there, in old crop. I am wondering, could you see a similar slowdown on the crushing side or is that already baked in?

Craig Huss - *Archer Daniels Midland Company - SVP & Chief Risk Officer*

Again, it's what type ownership we have. The industry owns and there is some ownership out there, but it's going to be difficult to buy beans going forward. We will see a reduction in exports as South America will rationalize what they have and we will go forward, but we are surprised that we have gone 45 to 60 days further than we thought we would and continue to see demand going forward.

As South America will figure, they may carry their beans longer if there is a carry in the market, so it's just an ongoing process. And the fact of what the margin environment is going forward.

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Christine McCracken - *Cleveland Research - Analyst*

Just tied to that in terms of -- you commented briefly I guess on the oil demand in Europe. As we look at the meal demand in Europe and obviously things are a little stronger maybe here and in Asia, but in Europe it seems like with this animal -- shift in animal health policies and the move away from crates you could see a pretty significant reduction in overall animal numbers there.

I am just curious if you expect that to shift either export demand into Europe or their European crushing in general? This is the ban on the crates and the pretty significant shift in hog numbers that we are seeing.

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

Yes, we haven't seen that yet but, yes, is something that we are analyzing as a potential scenario that can impact us. But we haven't seen it yet.

Christine McCracken - *Cleveland Research - Analyst*

Okay, I will leave it there. Thanks.

Operator

(Operator Instructions) Ian Horowitz, Topeka Capital Markets.

Ian Horowitz - *Topeka Capital Markets - Analyst*

Good morning. Quick question, you guys mentioned strength in North American meal demand. I am not sure how much it could be, but can you comment -- what do you think the demand increase was attributable to, the DDG declines due to reduced crush?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

Yes, I think, Ian, for us domestic meal demand basically increase as higher corn prices supported meal inclusion in the formulation. So part is DDGs are obviously not growing anymore from year to year so they are flat, but also when corn rallies all these meals make it into the ration. So we saw a little bit of that combination.

Remember, we have a team here that looks at feed from all the different angles. So we constantly are looking at what is the best thing to position based on our margins and our availability.

Ian Horowitz - *Topeka Capital Markets - Analyst*

I know it's a little early in the year and we are all trying to look out a little bit, but can you talk a little bit about your thoughts on 2013 with ethanol policy? It seems like with current gasoline demand and who knows where it's going to be in 2013 in an E10, overall an E10 kind of market. I know that there is a potential for some marginal E15.

How do you achieve the 13.8 billion gallons of consumption for obligated parties?

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Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

Obviously, this is a combination, Ian, of factors. Difficult to know where the driving miles are going to be, but if we look at the forecast they are stable or declining. So we are working hard on both things and E15 implementation and certainly developing export markets that I explained before. That is what our commercial team is working.

The mandate is obviously expanding to 13.8 billion, so -- and capacity, when everything runs, is something -- I mean we have proven it's like 14.7 billion. So what we need to get is that extra 1 billion gallon, if you will, of exports or E15 combination and then that is probably going to do it for us.

Ian Horowitz - *Topeka Capital Markets - Analyst*

But that is in terms of capacity utilization. But in terms of meeting the -- it seems like meeting the RFS obligation could pose quite a challenge for domestic-obligated parties. Do you seem to disagree, Juan?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

Say it again.

Ian Horowitz - *Topeka Capital Markets - Analyst*

I mean I understand exports will help in the utilization rates of the plants, but in terms of actually meeting domestic obligations for the RFS --?

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

You are talking about the plant growth basically?

Ian Horowitz - *Topeka Capital Markets - Analyst*

Correct.

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

That is what I said, Ian. We need both the export and E15 to get there.

Ian Horowitz - *Topeka Capital Markets - Analyst*

But exports don't allow you to satisfy an internal domestic (multiple speakers)

Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

I am just saying for us to get to profitability we need E15 to clear the planned goals or we need bigger exports so we can run at capacity.

Ian Horowitz - *Topeka Capital Markets - Analyst*

And, Juan, would you expect to see E15 at a measurable volume by 2013?

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Juan Luciano - *Archer Daniels Midland Company - EVP & COO*

We think so. We think this year will be, as I said, not very relevant. It will be an introduction, but I think by next year, yes. If this benefit continues to be there, I think we will see an accelerated implementation. It will make sense.

Ian Horowitz - *Topeka Capital Markets - Analyst*

Okay, great. Thank you.

Operator

There are no further questions at this time. I will now turn the conference over to Pat Woertz for closing remarks.

Pat Woertz - *Archer Daniels Midland Company - Chairman, President & CEO*

Excellent. Well, thank you for joining us today. As always, feel free to follow-up with Ruth Ann if you have any other questions.

We do have a list on slide 16 of our upcoming webcast events. May 15 the BMO 2010 Farm to Market Conference and June 15 the Paris Deutsche Bank Global Consumer Conference.

Thanks very much for your time and interest. Have a good day.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect. Good day.

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