**As filed with the Securities and Exchange Commission on June 8, 2001**

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

# FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended: **December 31, 2000**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 1-15152

# SYNGENTA AG

(Exact name of Registrant as specified in its charter)

**SWITZERLAND**

(Jurisdiction of incorporation or organization)

**Schwarzwaldallee 215, 4058 Basel, Switzerland**

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| Title of each class: | Name of each exchange on which registered: |
|---|---|
| **American Depositary Shares, each representing one-fifth of a common share of Syngenta AG, nominal value CHF 10 each** | **New York Stock Exchange** |

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**112,564,584 Common shares, nominal value CHF 10 each**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ **Yes** ☐ **No**

Indicate by check mark which financial statement item the registrant has elected to follow:

☐ **Item 17** ☒ **Item 18**

## INTRODUCTION

### Nature of operations

Syngenta AG ("Syngenta", the "Company", "we" or "us") is a world leading crop protection and seeds business that is involved in the discovery, development, manufacture and marketing of a range of agricultural products designed to improve crop yields and food quality. Syngenta is headquartered in Basel, Switzerland and was formed by Novartis AG ("Novartis") and AstraZeneca PLC ("AstraZeneca") through an agreement to spin off and merge the Novartis crop protection and seeds businesses with the Zeneca agrochemicals business to create a dedicated agribusiness company whose shares were then the subject of a global offering (the "Transactions").

The Transactions were completed on November 13, 2000 (the "Transaction Date"). In this annual report, for periods prior to November 13, 2000, we refer to the businesses contributed by Novartis as the "Novartis agribusiness"; and we refer to the businesses contributed to Syngenta by AstraZeneca as the "Zeneca agrochemicals business".

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Syngenta's consolidated financial statements are prepared in accordance with the historical cost convention and comply with the International Accounting Standards ("IAS") formulated by the International Accounting Standards Committee. These principles differ in certain significant respects from generally accepted accounting principles in the United States ("U.S. GAAP"). Application of U.S. GAAP would have affected shareholders' equity and net income for the years ended December 31, 2000, 1999 and 1998 as detailed in Note 32 to the consolidated financial statements.

The selected financial information we provide in this annual report until the Transaction Date is that of Syngenta's predecessor, Novartis agribusiness. Subsequent to the Transaction Date, Syngenta's financial data also includes the results of the Zeneca agrochemicals business from November 13, 2000 to December 31, 2000.

The consolidated financial statements are presented in United States dollars, as this is the major currency in which revenues are denominated.

As used in this annual report, "U.S. dollar", or "U.S.$" means the currency of the United States of America. "Swiss franc" or "CHF" means the currency of Switzerland , "British pounds sterling", "British pence", "GBP" and "GB pence" means the currency of the United Kingdom; and "euro" or "€" means the euro, the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended by the Treaty of the European Union. "EU" refers to the European Union; "NAFTA" refers to the countries party to the North American Free Trade Agreement (Canada, Mexico and the United States); and "AME" refers to Africa and the Middle East.

Certain terms mentioned in this annual report are registered in certain jurisdictions as our trademarks.

The pro forma sales information presented in "Item 4 – Information on the Company" is unaudited and has been prepared by our management to describe the sales of Syngenta as if the completion of the Transactions had taken place on January 1, 1999. The pro forma sales information for 1999 and 2000 exclude sales from products that were required to be divested as part of the competition authorities approval of the merger to form Syngenta.

## FORWARD-LOOKING STATEMENTS

The statements contained in this annual report that are not historical facts, including, without limitation, statements regarding management's expectations, targets or intentions, including for sales, earnings, earnings per share and synergies, constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and are based on the current expectations and estimates of Syngenta's management. Investors are cautioned that such forward-looking statements involve risks and uncertainties, and that actual results may differ materially.

We identify the forward-looking statements in this annual report by using the words "will" or "would", or "anticipates", "believes", "expects", "intends" or similar expressions. We cannot guarantee that any of the events or trends anticipated by the forward-looking statements will actually occur. Important factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements include, among other things:

- the difficulty of integrating Novartis agribusiness and Zeneca agrochemicals business on a timely basis and realizing the anticipated synergies;
- the risk that research and development will not yield new products that achieve commercial success;
- the risks associated with increasing competition in the industry, especially during downturns in commodity crop prices;
- the risk that we are not able to obtain or maintain the necessary regulatory approvals for our business;
- the risks associated with changing policies of governments and international organizations;
- the risks associated with exposure to liabilities resulting from environmental and health and safety laws;
- the risk that important patents and other intellectual property rights may be challenged;
- the risk of substantial product liability claims;
- the risk that consumer resistance to genetically modified crops and organisms may negatively impact sales;
- the risk that our crop protection business may be adversely affected by increased use of products derived from biotechnology;
- the risks associated with seasonal and weather uncertainties;
- the risk that customers will be unable to pay their debts to us due to local economic conditions;
- the risks associated with exposure to fluctuations in exchange rates for foreign currencies;
- the risks associated with entering into single-source supply arrangements;
- the risks associated with operating as an independent entity; and
- other risks and uncertainties that are difficult to predict.

Some of these factors are discussed in more detail herein, including under "Item 3 – Key Information", "Item 4 – Information on the Company", and "Item 5 – Operating and Financial Review and Prospects". Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. Syngenta does not intend or assume any obligation to update these forward-looking statements.

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## PART I

## ITEM 3 – KEY INFORMATION

**Selected Financial Data**

We have prepared our consolidated financial statements in U.S. dollars and in accordance with IAS. The transactions forming Syngenta are, for accounting and financial reporting purposes, treated under U.S. GAAP and IAS as a purchase of Zeneca agrochemicals business by Novartis agribusiness. Accordingly, the financial information we provide in this annual report until the Transaction Date is that of Syngenta's predecessor, Novartis agribusiness. Subsequent to the Transaction Date, Syngenta's financial data also includes the results of the Zeneca agrochemicals business from November 13, 2000 to December 31, 2000. The selected financial information set out below has been extracted from the consolidated financial statements of Syngenta or its predecessor. Investors should read the whole document and not rely on the summarized information.

| | **Syngenta** | | | |
|---|---|---|---|---|
| | **Year ended December 31,** | | | |
| | **2000** | **1999** | **1998** | **1997** |
| ***Amounts in accordance with IAS*** | **(U.S.$ million)** | | | |
| **Income statement data** | | | | |
| Sales | 4,876 | 4,678 | 5,040 | 5,040 |
| Cost of goods sold | (2,442) | (2,367) | (2,430) | (2,351) |
| Gross profit | 2,434 | 2,311 | 2,610 | 2,689 |
| Operating expenses | (1,434) | (1,862) | (1,884) | (1,774) |
| Operating income | 1,000 | 449 | 726 | 915 |
| Income before taxes and minority interests | 914 | 325 | 544 | 781 |
| Net income | 564 | 135 | 299 | 459 |
| **Cash flow data** | | | | |
| Cash flow from operating activities | 610 | 618 | 250 | 190 |
| Cash flow used for investing activities | 1,045 | (283) | (377) | (1,049) |
| Cash flow from/(used for) financing activities | (968) | (350) | 227 | 818 |
| Capital expenditure | (185) | (185) | (201) | (222) |
| **Balance Sheet data** | | | | |
| Working capital | (213) | 289 | 229 | 14 |
| Total assets | 11,815 | 6,593 | 7,074 | 6,608 |
| Total non-current liabilities | (2,248) | (834) | (850) | (736) |
| Total liabilities | (7,605) | (4,112) | (4,486) | (4,430) |
| Share capital | 667 | - | - | - |
| Total equity | (4,210) | (2,481) | (2,588) | (2,178) |
| *Other supplementary income data* | | | | |
| EBITDA(1) | 1,312 | 713 | 967 | 1,116 |
| EBITDA excluding special charges(2) | 856 | 821 | 1,081 | 1,131 |
| Basic and diluted net income per share | 7.61 | 1.97 | 4.35 | 6.65 |
| *Amounts in accordance with U.S. GAAP* | | | | |
| Sales | 4,876 | 4,678 | 5,040 | - |
| Net income | 180 | 64 | 169 | - |
| **Balance sheet data** | | | | |
| Total assets | 12,826 | 7,944 | 8,727 | - |
| Total non-current liabilities | (2,621) | (1,175) | (1,246) | - |
| Total equity | (4,820) | (3,491) | (3,851) | - |

Notes

(1) EBITDA is defined as earnings before interest, tax minority interests, depreciation and amortization. We have included information concerning EBITDA because it is used by investors as one measure of an issuer's ability to service or incur indebtedness. EBITDA is not a measure of cash liquidity or financial performance under generally accepted accounting principles and our EBITDA measure may not be comparable to other similarly titled measures of other companies. EBITDA should not be construed as an alternative to operating income or to cash flow as determined in accordance with generally accepted accounting principles, or as a measure of liquidity or indicator of our performance.

(2) Special charges are material items that management does not expect to recur. Special charges are comprised of U.S.$261 million, U.S.$67 million, U.S.$3 million and U.S.$25 million of restructuring charges for the years ended December 31, 2000, 1999, 1998 and 1997 respectively; U.S.$68 million of merger costs for the year ended December 31, 2000; and U.S.$41 million and U.S.$129 million of trade receivable write-downs in Latin America, Russia and Ukraine for the years ended December 31, 1999 and 1998 respectively. These charges were partially offset by gains on disposals of U.S.$785 million, U.S.$18 million and U.S.$10 million for the years ended December 31, 2000, 1998 and 1997 respectively.

## Risk Factors

Our business, financial condition or results of operations could suffer material adverse effects due to any of the following risks. We have described all the risks that we consider material but the risks described below are not the only ones we face. Additional risks not known to us or that we now consider immaterial may also impair our business operations.

***Integrating Novartis agribusiness and Zeneca agrochemicals business may prove to be disruptive and could have an adverse effect on our revenues, levels of expenses and operating results following the transactions***

Syngenta intends to realize substantial cost benefits resulting from, among other things, an expanded customer base and complementary product portfolios, broader sales and service networks, an outstanding research and development platform and significant cost savings. Achieving the expected benefits and synergies of the Transactions will depend, in part, upon whether the operations can be integrated in an efficient and effective manner. The process of integrating two formerly separately operated businesses may be disruptive to Syngenta's business following the Transactions and may cause an interruption of, or a loss of momentum in, Syngenta's business in a number of areas, including:

- loss of key employees or customers
- failures or delays in obtaining new orders from present and potential customers
- inconsistencies in standards, controls, procedures and policies, business cultures and compensation structures between Novartis agribusiness and Zeneca agrochemicals business and the need to implement, integrate and harmonize various business-specific operating procedures and systems, as well as company-wide financial, accounting, information and other systems
- the distraction of employees by the integration and the personal uncertainty this will create for a period of time and the loss of focus on Syngenta's ongoing business
- the diversion of management's attention from Syngenta's day-to-day business as a result of the need to deal with integration issues

The above factors could have an adverse effect on the revenues, levels of expenses and operating results of Syngenta following the Transactions.

***The substantial resources we devote to research and development may not result in commercially viable products***

Research and development in the agribusiness industry is expensive and prolonged, and entails considerable uncertainty. The process of developing a novel crop protection product or plant variety typically takes about six to ten years from discovery through testing and registration to initial product launch, but this period varies considerably from product to product and country to country. Because of the complexities and uncertainties associated with chemical and biotechnological research, compounds or biotechnological products currently under development may not survive the development process and ultimately obtain the requisite regulatory approvals needed to market such products. Even when such approvals are obtained, there can be no assurance that a new product will be commercially successful. In addition, research undertaken by competitors may lead to the launch of competing or improved products which may affect sales of our new products.

***We face increasing competition in our industry, especially during downturns in commodity crop prices***

We currently face significant competition in the markets in which we operate. The basis of competition includes availability of new products, product range, price and customer service. In most segments of the market, the number of products available to the grower is steadily increasing as new products are introduced. At the same time, an increasing number of products are coming off patent and are thus available to generic manufacturers to produce. As a result, we anticipate that we will continue to face new and different competitive challenges.

Although pricing of products is only one of a series of factors affecting competition, it intensifies the competitive environment in our industry. Our results are significantly affected by movements in commodity crop prices. This can result not only in reduced sales, but also in competitive price pressure in certain of our markets when commodity crop prices are depressed, as we have experienced in recent years. These fluctuations may negatively impact our business, financial condition or results of operations in the future.

***Changes in the agricultural policies of governments and international organizations may prove unfavorable***

In subsidized markets such as the EU and Japan, reduction of subsidies to growers or increases in set aside of farm acreage may inhibit the growth of crop protection and seeds markets. In Europe, there are various pressures to reduce subsidies, for example from the forthcoming World Trade Organization ("WTO") negotiations and likely enlargement of the EU to include Central European countries. However, it is difficult to predict accurately whether and when such changes will occur. Japan is also under WTO pressure to reduce subsidies, and is doing so in a gradual manner. We expect that the policies of governments and international organizations will continue to affect the operating results of the agribusiness industry, and accordingly the income available to growers to purchase crop protection and seeds products.

***We may not be able to obtain or maintain the necessary regulatory approvals for some of our products, and this would restrict our ability to sell those products in some markets***

Our products must obtain regulatory approval before we can market them and we may not be able to obtain such approvals. In most markets, including the United States and EU, our crop protection products must be registered after being tested for safety, efficacy and environmental impact. In most of our principal markets, after a period of time, we must also re-register our crop protection products and show that they meet all current standards, which may have become more stringent since the prior registration. For seeds products, in the EU, a new plant variety will be registered only after it has been shown that it is distinct, uniform, stable, and better than existing varieties.

Standards and requested trial procedures are continuously changing. Responding to these changes and meeting existing and new requirements may be costly and burdensome. We cannot assure you that we will be successful in doing so in all our principal markets or for every product.

***We are subject to stringent environmental and health and safety laws, regulations and standards which result in costs related to compliance and remediation efforts that may adversely affect our results of operations and financial condition***

We are subject to a broad range of environmental and health and safety laws, regulations and standards in each of the jurisdictions in which we operate, which are becoming increasingly stringent. This results in significant compliance costs and exposes us to legal liability. The laws, regulations and standards relate to, among other things, air emissions, waste water discharges, the use and handling of hazardous materials, waste disposal practices, clean-up of existing environmental contamination and the use of chemicals by growers.

Environmental and health and safety laws, regulations and standards expose us to the risk of substantial costs and liabilities, including liabilities associated with assets that have been sold and activities that have been discontinued. In addition, many of our manufacturing sites have a long history of industrial use. As is typical for businesses like ours, soil and groundwater contamination has occurred in the past at some sites, and might occur or be discovered at other sites in the future. Disposal of waste from our business at off-site locations also exposes us to potential remediation costs. Consistent with past practice we are continuing to investigate and remediate or monitor soil and groundwater contamination at a number of these sites. Despite our efforts to comply with environmental laws, we may face remediation liabilities and legal proceedings concerning environmental matters.

Based on information presently available, we have budgeted capital expenditures for environmental improvement projects and have established reserves for known environmental remediation liabilities that are probable and reasonably capable of estimation. However, we cannot predict environmental matters with certainty, and our budgeted amounts and established reserves may not be adequate for all purposes. In addition, the development or discovery of new facts, events, circumstances or conditions, including future decisions to close plants which may trigger remediation liabilities, and other developments such as changes in law or increasingly strict enforcement by governmental authorities, could result in increased costs and liabilities or prevent or restrict some of our operations.

***Third parties may challenge some of our intellectual property rights or assert we have infringed theirs***

Scientific and technological innovation is critical to the long-term success of our businesses. However, third parties may challenge the measures that we take to protect processes, compounds, organisms and methods of use through patents and other intellectual property rights, and as a result, our products may not always have the full benefit of intellectual property rights.

Third parties may also assert that our products violate their intellectual property rights. As the number of biotechnological products used in agriculture increases and the functionality of these products further overlap, we believe that we may become increasingly subject to infringement claims. Even claims without merit are time-consuming and expensive to defend. As a result of these claims, we could be required to enter into license arrangements, develop non-infringing products or engage in litigation that could be costly.

***We may be required to pay substantial damages as a result of product liability claims for which insurance coverage is not available***

Product liability claims are a commercial risk for us, particularly as we are involved in the supply of chemical products which can be harmful to humans and the environment. Courts have awarded substantial damages in the United States and elsewhere against a number of crop protection and seeds companies in past years based upon claims for injuries allegedly caused by the use of their products. A substantial product liability claim that is not covered by insurance could have a material adverse effect on our operating results or financial condition. As of November 13, 2000 a global general and products liability insurance program has been in place for Syngenta.

***Consumer resistance to genetically modified organisms may negatively affect our public image and reduce sales***

We are active in the field of genetically modified organisms in the seeds area and in biotechnology research and development in seeds and crop protection, currently with a focus on NAFTA and Latin America. However, the high public profile of biotechnology and lack of consumer acceptance of products to which we have devoted substantial resources could negatively affect our public image and results. The current resistance from consumer groups, particularly in Europe, to accepting products based on genetically modified organisms because of concerns over their effects on food safety and the environment, may spread to and influence the acceptance of products developed through biotechnology in other regions of the world, which could limit the commercial opportunities to exploit biotechnology. In addition, government authorities might enact regulations regarding genetically modified organisms which may delay and limit or even prohibit the development and sale of such products.

***Our crop protection business may be adversely affected by increased use of products derived through biotechnology***

The adoption of the products derived through biotechnology could have a negative impact on areas of our traditional crop protection business. This may not be redressed by the opportunities presented to our seeds business, which is more actively pursuing products developed through biotechnology. Crop protection accounted for 86% of pro forma sales in 2000, whereas seeds accounted for 14% of pro forma sales. The area of our crop protection business where genetically modified seeds have had the largest adverse impact to date is that of selective herbicides for use on oilseed crops, which accounted for approximately 6% of total pro forma sales in 1999 or approximately 7% of Syngenta's crop protection pro forma sales in 1999.

***Our results may be affected by seasonal and weather factors***

The agribusiness industry is subject to seasonal and weather factors, which make its operations relatively unpredictable. The weather can affect the presence of disease and pests in the short term on a regional basis, and accordingly can affect the demand for crop protection products and the mix of products used (positively or negatively).

***Our customers may be unable to pay their debts to us due to local economic conditions***

Normally we deliver our products against future payment. Our credit terms vary according to local market practice, but for Europe and NAFTA our credit terms usually range from 30 to 100 days. However, our customers are exposed to downturns in the local economy which may impact their ability to pay their debts, which could adversely affect our results. Normally losses in this respect are not material, but in severe abnormal conditions there can be a significant impact, for example, the recent economic crises in Latin America and Eastern Europe resulted in an abnormal bad debt write-down in 1999 of U.S.$41 million and in 1998 of U.S.$129 million.

***We maintain a single supplier for some raw materials, which may affect our ability to obtain sufficient amounts of those materials***

Generally, we maintain multiple sources of supply and obtain our supply of raw materials from a number of countries. However, there is a limited number of instances where we have entered into single-source supply contracts or where we routinely make spot purchases from a single supplier in respect of active ingredients, intermediates or raw materials for certain important products where there is no viable alternative source or where there is sufficient commercial benefit and security of supply can be assured. Such single supplier arrangements account for approximately 20% of our purchases of active ingredients, intermediates and raw materials, as determined by cost. We cannot assure you that our ability to obtain sufficient amounts of those materials will not be adversely affected by unforeseen developments that would cause us to lose a supplier without notice.

***Currency fluctuations may have a harmful impact on our financial results or may increase our liabilities***

Even though the U.S. dollar is the most significant currency for Syngenta, a substantial portion of our sales and product costs is denominated in currencies other than the U.S. dollar. Fluctuations in the values of these currencies, especially in the U.S. dollar against the Swiss franc, British pound and euro, can have a material impact on our financial results. These effects might result from changes in the U.S. dollar value of transactions effective in other currencies, or they can result from the fact that income and expense items related to a particular transaction or activity are denominated in different currencies.

***We will be exposed to changes in the market rate of interest which may adversely affect our results***

We are exposed to changes in the market rate of interest. Our treasury policy strives to limit this exposure by applying appropriate hedging with derivative financial instruments. However, such hedging may not be successful and changes in interest rates may thus negatively affect our results.

***For a period of two years Syngenta will be limited in its ability to repurchase or to issue shares for financing or for acquisitions and these restrictions could prevent Syngenta from adapting to changing industry conditions***

Under the terms of the tax deeds entered into among Syngenta and each of Novartis and AstraZeneca, Syngenta is prevented from substantially changing its shareholder base for at least two years after the completion of the transactions. During that period, Syngenta will not be able to issue any new shares, to merge with another company, to acquire another company or business using its shares as consideration or to repurchase shares. These limitations could prevent us from adapting to changing industry conditions by acquiring other businesses or from benefiting from favorable financing opportunities.

***The financial information presented here may not be indicative of future results, which may not be as positive***

The historical consolidated financial statements for the two years ending December 31, 1999 and 1998 included in this document are derived from the historical financial statements of Novartis and are presented as though Syngenta's predecessor Novartis agribusiness was a separate enterprise, based upon the structures in place during the periods covered. Accordingly, such information may not reflect what the results of operations, financial position and cash flows would have been had Novartis agribusiness been a separate, stand-alone entity during the periods presented and it may not be indicative of the results of operations, financial position and cash flows of Syngenta in the future.

***If you hold Syngenta ADRs or if you hold your Syngenta shares through VPC or as CREST Depositary Interests ("CDIs"), it may be more difficult for you to exercise your rights***

The rights of holders of Syngenta ADRs are governed by the deposit agreement between Syngenta and The Bank of New York. The rights of holders of Syngenta shares held through VPC (the Swedish central securities depositary) are governed by the agreement between VPC and Syngenta. The rights of holders of CDIs are governed by the arrangements between CREST and Syngenta and Lloyds TSB Registrars and Syngenta.

These rights are different from those of holders of Syngenta shares, including with respect to the receipt of information, the receipt of dividends or other distributions, the exercise of voting rights and attending shareholders' meetings. As a result, it may be more difficult for you to exercise those rights.

## ITEM 4 – INFORMATION ON THE COMPANY

The transactions combining Novartis agribusiness and Zeneca agrochemicals business to form Syngenta created the world's leading agribusiness company operating across all major areas of crop protection and seeds, with pro forma sales of U.S.$6,846 million for the year ended December 31, 2000. Syngenta's pro forma revenues in crop protection were U.S.$5,888 million and in seeds were U.S.$958 million for the year ended December 31, 2000. Our combined research and manufacturing operations are located in over 20 countries around the world, and we had approximately 23,000 permanent employees globally at year-end 2000.

### History and Development of the Company

#### The Company

Syngenta AG was formed as a corporation (*Aktiengesellschaft*), under the Swiss Code of Obligations. It was first registered in the commercial register of the Canton of Zug on November 15, 1999. Subsequently, Syngenta moved its seat to Basel; since December 23, 1999 Syngenta has been registered in the commercial register of the Canton of Basel-Stadt and has its registered office and principal business office at Schwarzwaldallee 215, 4058 Basel, Switzerland. The telephone number of Syngenta is 41-61-323-1111.

Syngenta was created by Novartis AG and Astra Zeneca PLC through an agreement to spin off and merge the Novartis crop protection and seeds business and the Zeneca agrochemicals business to create a dedicated agribusiness company whose shares were then the subject of a global offering.

The company is listed on the Swiss Stock Exchange (SWX) under the symbol SYNN, the London Stock Exchange under the symbol SYA, the New York Stock Exchange under the symbol SYT and the Stockholm Stock Exchange under the symbol SYN.

Even prior to the Transactions, Novartis agribusiness was a leading supplier of crop protection products and seeds. Novartis agribusiness operated in more than 120 countries worldwide and employed approximately 15,500 permanent employees at the time of the Transactions. Novartis agribusiness had U.S.$4,678 million in sales in 1999, making it the world's second largest agribusiness company. Its parent company, Novartis AG, was created by the merger of Sandoz AG ("Sandoz") and Ciba-Geigy AG ("Ciba-Geigy") in December 1996. Through this merger, Sandoz's and Ciba-Geigy's seed and crop protection businesses, which had existed since the 1930's, became Novartis agribusiness. Novartis agribusiness subsequently enlarged its portfolio and geographic reach through acquisitions. In 1997, it acquired for U.S.$910 million Merck & Co., Inc.'s crop protection business, which had 1996 annual sales of U.S.$200 million. In 1998 it acquired Oriental Chemical Industry's crop protection business in South Korea, which in 1997 had sales of U.S.$130 million, and in 1999, it increased its equity investment in Tomono Agrica Co. Ltd. (Japan) to 50% and gained management control.

Zeneca agrochemicals business was one of the world's leading suppliers of crop protection products in terms of sales prior to the Transactions. Its sales in 1999 totaled U.S.$2,657 million. Zeneca agrochemicals business operated in more than 120 countries worldwide and employed approximately 8,300 people at December 31, 1999. Zeneca agrochemicals business was demerged from ICI PLC in 1993, together with the pharmaceuticals and specialty chemicals businesses. ICI had originally entered the agrochemicals market in the 1930's. Prior to the demerger from ICI, a major milestone in Zeneca agrochemicals business development was the acquisition of the Stauffer agrochemical businesses in 1987. Other significant developments include the acquisition of the Dutch biotechnology company Mogen International B.V. in 1997 and the fungicide *BRAVO*® and rights to distribute other products from ISK of Japan in 1998. The combined sales of these two acquisitions amounted to U.S.$206 million in 1998.

#### The Demergers and Combinations To Form Syngenta

The boards of directors of Novartis and AstraZeneca announced on December 2, 1999 that they had unanimously agreed to spin-off and merge Novartis agribusiness and Zeneca agrochemicals business. These transactions were effected by means of the demerger of Novartis agribusiness and Zeneca agrochemicals business from the remaining businesses of Novartis and AstraZeneca, and the combination of Novartis agribusiness and Zeneca agrochemicals business into Syngenta, subject to the conditions and further terms described in this annual report below under "Item 10 – Additional Information – Material Contracts".

#### *Possible Retroactive Tax Consequences of the Transactions for Syngenta*

*Switzerland*

Under the terms of the Swiss tax rulings obtained by Novartis and granted by the Swiss Federal and certain Cantonal Tax Administrations, certain transactions qualified as tax-privileged transactions under Swiss tax laws provided the effection of the transactions as ruled.

The tax-privileged treatment of these transactions set forth above is subject to the following conditions:

Novartis confirmed to the Swiss Federal and Cantonal Tax Administrations that the demerger of Novartis agribusiness was not being made with the intention to sell Novartis agribusiness to a third party, and that no plan exists to concentrate the majority of the Syngenta shares in the hands of a single shareholder or related group of shareholders. If, however, such a concentration were to occur within five years from the date of the demerger, the Swiss Federal and Cantonal Tax Administration might revoke the benefits of the tax privileged transactions and assess corporate income and real estate gains taxes on the excess of the fair market value over the tax value of the transferred Novartis agribusiness determined as of the date of the transfer (real estate gains taxes would only be levied on real estate involved in the transaction). Furthermore, the transfers of real estate assets would be subject to real estate transfer taxes. Corporate and real estate gains and additional real estate transfer taxes might also be due if Syngenta were to dispose of voting rights of certain Swiss subsidiary companies which were involved in tax free transactions for Swiss corporate income, Swiss real estate gains or transfer tax purposes in the course of the separation of Novartis agribusiness. Under the terms of the tax rulings, Syngenta would have to bear the corporate income and real estate gains taxes so assessed.

Should the majority of Syngenta shares be transferred in the course of another tax privileged transaction (e.g., a merger), however, taking place within the five year blocking period, the retroactive taxation would not be triggered if certain conditions are fulfilled.

If a shareholder or a group of shareholders acting in concert were to acquire, directly or indirectly, more than one third of the voting rights of either Syngenta or a subsidiary of Syngenta which has been involved in tax-free transactions for Swiss stamp duty purposes within five years from the completion of the Transactions, then Syngenta or such other subsidiary would have to pay Swiss stamp duty in the amount of 1% of the fair market value of the issued shares as per the date of the completion of the transactions. If, however, more than one third of the voting rights of such company were transferred in the course of another tax-privileged transaction (e.g., a merger) taking place within the five year blocking period, such retroactive taxation would not be triggered.

The possible adverse tax consequences to Syngenta described above may discourage future transactions involving a change in control of Syngenta.

Under the tax deed between Syngenta and Novartis, Syngenta has agreed with Novartis to be liable, subject to certain limitations, for the payment of all Swiss withholding or other Swiss taxes and duties arising out of or that are connected to Novartis agribusiness whether such taxes become due prior to or after the completion of the Transactions as set forth in the master agreement and the tax deed between Novartis and Syngenta.

*United States*

Under section 355(e) of the U.S. Internal Revenue Code, Novartis may be held liable for U.S. federal income tax in respect of its distribution of Novartis Agribusiness Holding Inc. if shareholders of Novartis failed to continue to own, indirectly through their ownership of Syngenta shares or ADSs, more than 50% of the stock of Novartis Agribusiness Holding Inc., and such failure is attributable to a plan found to exist as of the time of such distribution.

In this regard, under the terms of the tax deed entered into between Syngenta and Novartis, Syngenta will be prevented from substantially changing its shareholder base for at least two years after the completion of the Transactions. Syngenta will not be able to issue new shares, to merge with another company, to acquire another company or business using its shares as consideration or to repurchase shares, except for certain intercompany transactions and share repurchases pursuant to the share repurchase program. In the event that Syngenta did take any such actions, it would be required, under the terms of the tax deed with Novartis, to indemnify Novartis for any resulting tax liabilities incurred under U.S. federal income tax law. This indemnity would cover, in particular, any U.S. federal income tax liability arising to Novartis if such actions caused the demerger of the Novartis agribusiness no longer to be treated as a tax-free spin-off for U.S. federal income tax purposes. See “Item 10 – Additional Information – Material Contracts – The Separation Agreements – Tax Deed between Novartis and Syngenta”.

***Regulatory Approval***

The required waiting period for completion of the Transactions under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, ended on November 1, 2000. Novartis and AstraZeneca divested certain businesses, principally acetochlor-based products which are sold under a number of trade names, including *SURPASS*® and the businesses associated with the strobilurin fungicide product line *FLINT*®, which comprises the range of products based on the chemical trifloxystrobin. Main brands include *FLINT*®/*STRATEGO*®/*TWIST*®/*SPHERE*®/*AGORA*® and *ROMBUS*®. The FTC provisionally approved an Agreement Containing Consent Orders including these divestitures and the Transactions as of November 1, 2000 and Syngenta was formed on November 13, 2000. The FTC gave final approval to the Agreement Containing Consent Orders as of December 22, 2000.

In addition, Novartis and AstraZeneca were required, prior to completing the Transactions, to obtain approval from the European Commission. Following discussions with the European Commission, Novartis and AstraZeneca offered commitments to the European Commission to divest some businesses, principally businesses associated with the strobilurin fungicide product line *FLINT*® and acetochlor-based product ranges which were also sold to obtain FTC approval. On the basis of these commitments the European Commission approved the Transactions on July 26, 2000. The parties expect to fulfill their commitments by July 26, 2001.

***Post-Closing Events and Financings***

Indebtedness to AstraZeneca and Novartis incurred in connection with the Transactions was repaid.

During the first ten days of trading 9.99% of our issued share capital was repurchased in full, and a capital contribution from AstraZeneca and Novartis to Syngenta was made in the amount paid by Syngenta for the repurchase.

Funds for the repayment of debt were made available from U.S.$6 billion of committed credit facilities. The remaining balance is available, among other purposes, to fund seasonal working capital requirements of the business.

Syngenta has also established a funding line through the European commercial paper market.

Syngenta is seeking to refinance part of its facilities in the international debt capital markets. We will seek to retain an appropriate mix of long, medium and short term debt.

We expect that our current level of debt and associated ratings will enable us to achieve investment grade ratings for our debt in the international bond markets.

**Investments**

***Investments of Novartis Agribusiness***

The main investment made by Novartis agribusiness in the last three years is the acquisition on September 1, 1998, of a production plant and related operating assets from Oriental Chemicals Industries, South Korea for U.S.$135 million in cash.

***Investments of Zeneca Agrochemicals Business***

The main investment made by Zeneca agrochemicals business in the last three years is the acquisition in February 1998 from Ishihara Sangyo Kaisha (*ISK*) Limited, of their U.S. based fungicide business, and distribution rights to various other products. The total purchase price was U.S.$460 million.

**Divestments**

Novartis, AstraZeneca and Syngenta made several divestments in order to satisfy conditions imposed by the FTC and the European Commission in connection with the formation of Syngenta. The divestments completed in 2000 included the sale of the acetochlor based herbicide products to Dow AgroSciences LLC and the selling of the strobilurin fungicide product line *FLINT â* to Bayer AG. The divestments completed in 2001 include the sales of the grass herbicide propaquizafop and the pyrethroid insecticide tau-fluvalinate to Makhteshim Agan Industries Ltd, the sale of its sulcotrione herbicide *MIKADO*® in the European Economic Area to Bayer AG, the divestment of its global flutriafol fungicide business to Cheminova A/S and the divestment to Makhteshim Agan Ltd. of its former Novartis cereal fungicide product range in Denmark, Sweden and Finland.

## Business Overview

### Industry Overview

The crop protection and seeds industries offer products which provide essential support to modern agriculture. The contribution from both industries has been fundamental to the agricultural productivity improvements that have enabled food production to keep pace with population and economic growth.

### Syngenta's Business

Syngenta's business divides generally into two segments: crop protection and seeds. These segments are described in greater detail below.

### Our Strategy

Our aim is to deliver significant increases in profitability and cashflow, and create value for our shareholders, through being the leading provider of innovative products, solutions and brands demanded by growers and the food and feed chain.

There are five principal components to our strategy to achieve this goal:

***Capitalize on the strengths of our global crop protection and seeds businesses***

One of our key strengths is our broad base of strong, profitable products in our two stand-alone divisions: crop protection and seeds. We build on these strengths by continuing to run crop protection and seeds as independent divisions with strong management focus and accountability, while applying common systems and performance measures to achieve the transparency necessary to deliver to corporate expectations. Wherever possible we look for opportunities to capture synergies across these two divisions. These are primarily expected to be achieved in research and development and marketing and support services.

***Actively manage the product portfolio, focus on growers' needs and the demands of the entire feed and food chain, and deliver increasingly tailored local solutions***

We seek to balance the global management of strong individual products and local customization to meet growers' needs by:

- *Focusing on a core range of products tailored for local needs.* We direct our research and development activities principally to a core range of global products in an optimized array of formulations tailored for local needs, while rationalizing non-core products over time. This continues to drive sales while exploiting operational efficiencies.

- *Meeting the demands of growers and the downstream food and feed chain.* Growers need inputs that will help them meet the growing demands for more affordable, healthier, higher quality foods and feeds. These range from generalized demands from consumers to specific demands from processors and retailers that appear as recommendations, lists and protocols of qualifying inputs.

  Accordingly, a key element of our strategy is to ensure that we fully understand the diverse needs and expectations of these customer segments which vary by region, crop and grower segment, and furthermore help meet these needs and expectations with practical, sustainable solutions. Syngenta intends to accomplish this by focusing its global marketing and distribution network to deliver the highest quality service and support and to build deep, lasting relationships with these customer segments. This understanding drives our development effort and research targeting.

- *Providing tailored solutions and channel management.* We offer value adding solutions tailored to local customer needs. While strong, branded products are critical to our success, Syngenta is more than the sum of these products. Increasingly, growers are looking for integrated solutions for their needs. They want a range of products and service offerings and combinations developed specifically for their crop and seed technology requirements. Accordingly, tailored solutions are often highly localized. These solutions increasingly include product bundles across crop protection end uses and seeds, diagnostic testing, field services, performance assurances, information support and e-business tools. We believe we are positioned to be the leading supplier of these tailored solutions given our product breadth and marketing reach.

  Syngenta enjoys strong and long standing relationships with its major channel partners in all territories worldwide. Technological, social and economic drivers are creating new distribution options and changing historic patterns of influence in the markets. Syngenta works closely with its channel partners to understand these influences. We will seek to develop our relationships in order to position Syngenta broadly for these changes while pursuing a strategy of deepening our understanding of the needs of local growers and the downstream food and feed chain. In both the construction of Syngenta's tailored solutions to growers and in channel management we plan to make full and pioneering use of e-business technology.

***Exploit research and development opportunities that have the potential to deliver innovative products and solutions from a lower proportionate investment***

Continued investment in technology and development capabilities is a critical part of Syngenta's future growth. We believe that investments in these areas will add value to the crop protection and seeds businesses in the form of new products and, in due course, lead to new business opportunities. In addition, our scale allows us to build and exploit a range of important platforms, and deliver greater product and solution benefits to growers and the entire food and feed chain. We expect to achieve this while investing a lower percentage of revenue than most of our peers.

We aim to:

- *Discover and bring to market new products with improved efficacy and safety profiles which contribute to the development of sustainable agriculture*

  In the past decade there has been a paradigm shift in methodology for generation of leads for new chemical products. The integration of genomics to identify targets and establish modes of action together with fast high-throughput automated screens to detect leads has provided a powerful engine for lead discovery and optimization. Similarly, techniques such as toxicogenomics and environmental profiling are minimizing the attrition rate in the development process.

  We focus on improved ways to direct our research towards areas of health and environmental safety. An example of the success delivered by the process is given by *AMISTAR*®. Based upon a benign profile the time from test tube to market for *AMISTAR*® was seven years and it has become the world's largest-selling proprietary fungicide three years after launch.

- *Harness the full potential of our established products and technologies including extending their lifecycles through research and development activities*

  We believe we possess the broadest chemical crop protection range in the industry. We plan to refresh and improve this range, both as individual compounds and as innovative mixture partners. We employ some of the best scientists in chemistry, physiology, bioperformance enhancement and formulation to achieve our objective. Attractive opportunities exist for combinations of products to provide tailored crop solutions for the specific requirements of growers. We believe that the integration of chemical and gene-based solutions offers a particularly attractive opportunity for the future.

  In process chemistry, we are dedicated to improving existing manufacturing routes and to innovating routes to key products in our existing range to ensure the optimal cost base.

- *Continue to build strong germplasm in target seeds segments that will provide a delivery vehicle for emerging technologies and assistance to traditional breeding*

  Advances in biotechnology have revolutionized progress in crop improvement. Marker-assisted breeding is powerful in trait selection for new varieties and also for significantly accelerating the breeding process.

  Crop improvement programs represented in Syngenta's current research projects are exemplified by:

  - Self-protection against pests and diseases (e.g., in insect-resistant corn and cotton, disease-resistant oilseeds, bananas, sugarbeet and rice)

  - Productivity improvements, higher and more reliable yields and improved crop composition (e.g., in high sugar concentrated sugar beet and high yield oilseed rape)

  - Agronomic benefits such as drought, heat and cold tolerance, and adaptation to saline conditions (e.g., winter hardiness of oilseed rape)

  - Improved safety and nutritional quality of animal feed (e.g., low phytate corn and high protein corn)

  - Improved quality of food crops and better processing characteristics (e.g., tomato color, taste and processing and improved wheat for breadmaking)

  - Dietary contributions to health (e.g., high beta-carotene rice and high antioxidant tomato)

  We believe our skills and experience in health assessment, human safety and risk assessment are key to success. We believe that we are well positioned to lead the development of human nutrition through crops by focusing upon the dietary component of health delivered through a food matrix.

- *Capture value of innovation and technologies through an industry-leading patent portfolio and by the creation of new ventures*

Innovations based upon biochemical processes can enjoy broad utility outside the scope of a conventional agribusiness, or indeed in very different business areas. In the case of the former, Syngenta pursues growth opportunities largely in-house. An example is provided by a successful project in which we have produced antibodies in plants. In the case of the latter, several of our developments can produce intellectual property of equal relevance to discovery programs in the pharmaceutical industry. We shall continue to develop our outlicensing business by broad exploitation of our intellectual property. In this context, it is noteworthy that Syngenta's biotechnology intellectual property portfolio, as a percentage of patents filed worldwide until 1999, is among the largest in the agribusiness industry.

- *Leverage our broad set of technology partners and internal business development functions to create new business opportunities*

  Syngenta regards collaboration with external scientists as a critical competence. Syngenta has over 400 collaborations with institutes and companies worldwide. We intend to foster and extend our external network to enrich in-house programs in the quest for the next generation of technology.

- *Exploit plant biotechnology*

  We believe we are one of very few global agribusiness companies that is well positioned to develop products based on biotechnology, because of our multi-disciplinary understanding of the fundamental science involved and global capability. It is our intention to devote an appropriate, sustained and competitive level of resources to pursuing the opportunities we believe biotechnology can deliver.

  We believe that through plant biotechnology, we have the potential to bring considerable benefits to mankind in both developed and developing countries. We remain committed to the use of gene-based technologies that are safe and effective. At the same time we recognize the current public concerns which attend biotechnology. These attitudes vary greatly from region to region. In North America and many emerging countries, this technology has been generally accepted. However, in Europe, genetic modification as a route to novel foods and feed is being challenged. Political parties, consumer groups, and some governments have expressed their concerns in terms of food safety and environmental issues. The legislative process in the EU has been delayed and a clear regulatory system is not yet available.

  Syngenta is a major participant in the public debate. Our activities have been conducted in conjunction with our local constituencies and through trade associations around the world. Our approach to our involvement in biotechnology has been one of openness and dissemination of information based upon:

  - *education through provision of information about plant science and genetics*

  - *clear statement of the benefits of biotechnology in terms of cost and quality*

  - *emphasis on consumer choice*

  Syngenta's approach to innovation takes into full consideration the range of public attitudes around the world. For instance in Europe, it will be important to lead with products with a clear consumer benefit. In the developing world, the promise of biotechnology for food production and health improvement is considerable. For example, we are developing a variety of 'Golden Rice' which produces beta-carotene, a precursor of vitamin A which is otherwise absent. In many developing countries, vitamin A deficiency is a common cause of illness and is an important contributor to blindness, especially in children. As Syngenta's science develops, we will introduce techniques which mitigate perceived risks. For example, we have introduced a novel marker gene system called *POSITECH*™ as a novel and efficient alternative to antibiotic resistance markers.

  As the public becomes more informed about products with consumer benefits and about the use of science to explore and understand safety issues and risks, we believe that products created through biotechnology will gain widespread public acceptance. However, public reaction to biotechnology continues to evolve and we cannot provide assurance that such products will receive the wide support that we anticipate.

***Realize estimated net annual pre-tax cost savings of U.S.$525 million arising from the transactions forming Syngenta from the end of the next three years, and pursue further opportunities for rationalization over the longer term***

Syngenta expects approximately 40% of the total savings to come from rationalizing the selling, general and administrative functions, 40% from economies in manufacturing and supply chain operations, and the balance from scale benefits in research and development.

Syngenta will work to capture the synergies early in the integration process. We have announced plans to implement cost saving actions such that the savings rate by the end of the year for each of the first, second and third years will be 30%, 70% and 100% respectively. We estimate one-time restructuring charges associated with the U.S.$525 million annual savings to be U.S.$900 million comprising U.S.$750 million restructuring costs and U.S.$150 million merger costs. We have not yet determined asset write-downs. We expect that capturing these savings will reduce our worldwide employee base by approximately 3,000 permanent employees in addition to the 1,700 job reductions associated with current productivity programs of Novartis agribusiness and Zeneca agrochemicals business.

Beyond delivering the net cost savings which we have already identified and discussed above, we will actively seek additional savings and maintain cost consciousness over the long term.

***Attract, retain and develop the best-qualified employees in our industry***

The crop protection and seeds businesses are complex with distinct geographical, product, crop, technology and customer drivers. Given this complexity, and our strategy, which requires a high degree of change, we will need to fully utilize the breadth and depth of talent. To achieve this we will establish clear and decisive management processes that include:

- Uniform, transparent, global reporting systems and clear decision-making processes for managers for the combined entity
- Clear personnel management processes that appropriately identify, recognize, develop and reward our best talents
- Local empowerment of management with clear accountability and success criteria
- Performance-driven employee compensation

Syngenta has also introduced a long-term equity-based incentive program as part of an effective and well-balanced executive remuneration structure. The remuneration structure is designed to ensure we attract, retain and motivate the key talent necessary to succeed in a competitive and international environment.

**Crop Protection**

***Products***

We are active in herbicides, especially for corn, cereals and rice; fungicides mainly for cereals, fruits, grapes, rice and vegetables; insecticides for fruits, vegetables and cotton; and professional products, such as seed treatment, products for public health and products for turf and ornamentals. Herbicides are products that prevent or reduce weeds that compete with the crop for nutrients and water. Herbicides can be subdivided into (i) non-selective herbicides, which reduce or halt the growth of all vegetation with which they come in contact and (ii) selective herbicides which are crop-specific and control weeds without harming the crop. Fungicides are products that prevent and cure fungal plant diseases that affect crop yield quality. Insecticides are products that control chewing pests such as caterpillars and sucking pests such as aphids, which reduce crop yields and quality.

The following table sets out 2000 and 1999 sales of our crop protection products:

| **Products** | **Syngenta Sales (pro forma)(1)** | | | |
|---|---|---|---|---|
| | **2000** | | **1999** | |
| | **(U.S.$ million)** | **(%)** | **(U.S.$ million)** | **(%)** |
| Selective herbicides | 1,981 | 34 | 2,147 | 36 |
| Non-selective herbicides | 714 | 12 | 657 | 11 |
| Fungicides | 1,458 | 25 | 1,518 | 25 |
| Insecticides | 1,052 | 18 | 970 | 16 |
| Professional products | 538 | 9 | 560 | 9 |
| Others | 145 | 2 | 195 | 3 |
| **Total** | 5,888 | 100 | 6,047 | 100 |

(1) Explanation of Pro Forma Numbers: Under U.S. GAAP and IAS, the Transactions were treated as a purchase of Zeneca agrochemicals business by Novartis agribusiness on November 13, 2000. As such, the statutory audited financial statements do not include the financial results for Zeneca agrochemicals business prior to this date. In order to provide a meaningful comparison of sales performance between 2000 with 1999, unaudited pro forma sales numbers have been prepared for both years. The pro forma sales numbers have been prepared on the basis that both businesses are deemed to have been merged with effect from January 1, 1999. The pro forma sales results exclude all products divested or to be divested in compliance with competition authority mandates in connection with the formation of Syngenta.

We have a broad product range, a leading market position in all of our segments and strong worldwide market coverage. We focus on four pillar crops (corn, vegetables, cereals and rice) and apply our technologies to other crops, such as oilseeds, sugarbeets, cotton, fruits and grapes, and to turf and ornamentals.

We are implementing a marketing strategy which focuses on the most profitable products with the highest growth potential. We are also optimizing the development process of new products in order to get them to market quickly and efficiently and exploring new applications for our more established products (product life cycle management).

The tables below show our principal products: first, active substances currently in development; second, recently launched and growing products; and finally, products that are well established. These tables exclude recently launched products that have been divested in response to regulatory concerns.

| Products in Development | | | |
|---|---|---|---|
| **Active Substance** | **Crop Use** | **Targets** | **Status** |
| ***Selective Herbicides*** | | | |
| Fluthiacet | Cotton | Defoliation | United States registration filed |
| Butanfenacil(1) | Perennial crops | Total vegetation management, defoliation | Registrations expected from 2001 onwards in principal markets |
| Pyriftalid(1) | Rice | Annual grasses in transplanted and seeded rice | Registrations expected from 2001 onwards in principal markets |
| Trifloxysulfuron-sodium(1) | Cotton, sugarcane | Post-emergence selective herbicide; flexible timing recommendation against broad-leaved weeds, sedges and grasses | Registrations expected from 2001 onwards in principal markets |
| Mesotrione(2) | Corn | Broad-leaved weeds | Registrations received in Germany and Austria. Further registrations expected in principal markets |
| ***Fungicides*** | | | |
| Picoxystrobin | Wheat and barley | Broad spectrum fungicide | Expected registration by 2002 |
| ***Insecticides*** | | | |
| *NEMATHORIN®*(3) | Potatoes, bananas, tobacco | Worms | Registration obtained. In launch phase |

(1) Common name proposed to International Organization for Standardization (ISO).
(2) In connection with the divestiture of its acetochlor business, Syngenta has granted to Dow AgroSciences LLC the acetochlor business rights to formulate, market and sell in North America a mixture product of mesotrione and acetochlor.
(3) Product which is distributed, but not manufactured by Syngenta.

| Recently Launched Products | | | |
|---|---|---|---|
| **Active Substance** | **Selected Brand Names(1)** | **Crop Use** | **Targets** |
| ***Selective Herbicides*** | | | |
| S-metolachlor | *DUAL MAGNUM®/ DUAL GOLD®/ BICEP MAGNUM®* | Corn, soybeans, peanuts, sugarbeet, sunflowers | Annual grasses and some broad-leaved weeds |
| ***Fungicides*** | | | |
| Metalaxyl-M | *RIDOMIL GOLD®/ APRON®XL* | Broad range, including potatoes, grapes, vegetables, seed treatment and turf and ornamentals | Late blight, downy mildew and damping off diseases |
| Acibenzolar-S-Methyl | *BION®/BOOST®/ ACTIGARD®* | Broad range of crops | Plant activator |
| Azoxystrobin | *AMISTAR®/QUADRIS®/ HERITAGE®/ABOUND®* | Wheat, barley, fruit and vegetables, rice, turf | Broad spectrum disease control |
| ***Insecticides*** | | | |
| Thiamethoxam | *ACTARA®/CRUISER®* | Broad range of crops | Sucking and soil dwelling insects |
| Emamectin Benzoate | *PROCLAIM®/AFFIRM®* | Vegetables | Caterpillars |
| Pymetrozine | *CHESS®/PLENUM®* | Vegetables, fruits, potatoes, rice | Aphids, white fly and leaf hoppers |

(1) Products may have different brand names depending on the market in which they are sold.

**Key Marketed Products**

| Active Substance | Selected Brand Names(1) | Crop Use | Targets |
|---|---|---|---|
| ***Selective Herbicides*** | | | |
| Metolachlor | *DUAL®/BICEP®* | Corn, soybeans, peanuts, sugarbeet, sunflowers | Annual grasses and some broad-leaved weeds |
| Atrazine | *AATREX®/GESAPRIM®(2)* | Corn, sorghum, sugarcane | Annual grasses and some broad-leaved weeds |
| Clodinafop | *TOPIK®/HORIZON®/CELIO ®* | Wheat, rye, triticale | Annual grasses |
| Dicamba | *BANVEL®/MONDAK®/CLARITY®* | Cereals, corn, turf, sugarcane | Annual and perennial broad-leaved weeds |
| Triasulfuron | *LOGRAN®/AMBER®* | Cereals, transplanted rice | Annual broad-leaved weeds and some grasses |
| Trinexapac | *MODDUS®/PRIMO ®* | Sugarcane, cereals, turf | Increases sugar content, antilodging, reduces grass growth |
| Flauzifop-P-Butyl | *FUSILADE®* | Soybeans, cotton, oilseed rape, fruit and vegetables | Grass weeds |
| Fomesafen | *FLEX®/REFLEX®* | Soybeans | Broad-leaved weeds |
| Molinate | *ORDRAM®(3)* | Rice | Annual grasses |
| Tralkoxydim | *ACHIEVE®/GRASP®* | Wheat, barley | Grass weeds |
| ***Non-Selective Herbicides*** | | | |
| Paraquat | *GRAMOXONE®* | Cereals, rice, soybeans, corn, fruit and vegetables | Broad spectrum weed control |
| Sulfosate | *TOUCHDOWN®/ZAPP®/ OURAGAN®* | Wheat, corn, soybeans, fruit and vegetables | Broad spectrum weed control |
| Diquat | *REGLONE®* | Wheat, sunflower, oilseed rape, potatoes | Broad spectrum weed control; desiccation |
| ***Fungicides*** | | | |
| Metalaxyl | *RIDOMIL ®/APRON®* | Potatoes, grapes, vegetables, seed treatment and turf | Late blight, downy mildew and damping off diseases |
| Propiconazole | *TILT® (4)* | Cereals, bananas, rice and turf | Broad spectrum disease control |
| Difenoconazole | *SCORE®/DIVIDEND®* | Vegetables, field crops, plantation crops and seed treatment | Broad spectrum disease control |
| Fludioxonil | *CELEST®/MAXIM®/GEOXE®/ MEDALLION®* | Seed treatment, grapes, turf, vegetables | Bunt, snow mold seedling blights, scurf, Botrytis, dollar spot |
| Cyprodinil | *UNIX®/STEREO ®(5)/SWITCH®* | Pome fruits, stone fruits, cereals, grapes, vegetables | Scab, Alternaria, powdery mildew, eyespot, Botrytis, grey mold |
| Cyproconazole | *ALTO® (6)* | Cereals, coffee, peanuts, rice, sugarbeet, stone fruits | Powdery mildew, rust, leaf spots |
| Chlorothalonil | *BRAVO®/DACONIL®* | Fruit and vegetables, wheat, turf | Broad spectrum disease control |
| Fluazinam(7) | *SHIRLAN®* | Potatoes | Potato late blight, flower bulb and onion diseases |
| ***Insecticides*** | | | |
| Abamectin | *VERTIMEC®/AGRIMEK®* | Citrus fruits, vegetables, pome fruits, ornamentals | Mites, leafminers and some caterpillars |
| Profenofos | *CURACRON®/SELECTRON®* | Cotton, potatoes, soybeans and vegetables | Caterpillars, sucking insects, mites |
| Methidathion | *SUPRACIDE®* | Fruits, nuts | Scales, caterpillars |
| Lufenuron | *MATCH®* | Corn, potatoes, citrus, vegetables, cotton | Caterpillars, leafminer, western flower thrips |
| Lambda-cyhalothrin | *KARATE®/KUNG-FU®/ICON®* | Cotton, corn, fruit and vegetables, soybeans, public health | Broad spectrum insect control |
| Tefluthrin | *FORCE®* | Corn | Corn rootworm |

(1) Products may have different brand names depending on the market in which they are sold.

(2) Pursuant to the commitments given to the European Commission, Syngenta has agreed to stop commercializing atrazine straight (including the trade mark *GESAPRIM®*) in France.

(3) Pursuant to the commitments given to the European Commission, Syngenta has agreed to divest to a third party by way of an exclusive license to manufacture and sell, or an exclusive right to distribute, the molinate-based formulation of *ORDRAMSOPRA®* in France for use on rice until 2008.

(4) Pursuant to the commitments given to the European Commission, Syngenta granted an exclusive right to Makhteshim Agan Industries Ltd. to use and sell *TILT 250EC®* and *TILT 6.25GL®* formulations for use on cereals in Denmark, Finland and Sweden for the duration of their registrations.

(5) Pursuant to the commitments given to the European Commission, Syngenta granted an exclusive right to Makhteshim Agan Industries Ltd. to use and sell *STEREO®* formulation for use on cereals for the duration of its registration in Denmark, Finland and Sweden.

(6) Pursuant to the commitments given to the European Commission, Syngenta granted an exclusive license to manufacture, use and sell cyproconazole straight in the EEA to Bayer, under Bayer's own trade name. Syngenta will be permitted to re-commence sales of cyproconazole straight, under the *ALTO®* (or other) name in 2005 at the latest.

(7) Product which is distributed, but not manufactured by Syngenta.

***Selective Herbicides***

In weed control we have a broad line of selective herbicides which control grasses and broad-leaved weeds, suited for most crops with a special emphasis on products for corn and cereals.

*Products in development*

- Fluthiacet is being developed as a defoliant in cotton. This fast-acting, low dose defoliant offers tank mix flexibility and ease of handling. The registration file has been submitted in its main market, the United States, in 2000. It is licensed from Kumiai, Inc.

- Butafenacil (ISO draft) is a total vegetation management herbicide designed for use in perennial crops and as a cotton defoliant. It quickly burns down the foliage and has some residual activity. We expect to receive registration in major markets from 2001 onwards.

- Pyriftalid (ISO draft) is for the control of grasses in transplanted and seeded rice. We expect to receive registration from 2001 onwards.

- Trifloxysulfuron-sodium (ISO draft) is a flexible post-emergence herbicide controlling key weeds in cotton at low use rates. We expect to receive registration in major markets from 2001 onwards. This compound allows selective control of broad-leaved weeds and sedges (and some grasses) and it outperforms other post-emergence cotton herbicides. It is also under development for use on sugarcane.

- Mesotrione, a pre- and post-emergence herbicide effective against key broad-leaved weeds in corn, is derived from the novel triketone area of chemistry and will complement the grass weed control of *DUAL®*. The product has received registration in Germany and Austria and is being evaluated under the reduced risk scheme in the United States, reflecting its favorable environmental and toxicological profile. A new U.S.$46 million manufacturing facility is under construction at Cold Creek, Alabama. First sales are expected in 2001.

  In connection with the divestiture of its acetochlor business, Zeneca agrochemicals granted to Dow AgroSciences, LLC rights to formulate, market and sell in North America a mixture product of mesotrione and acetochlor. It is anticipated that Syngenta will supply mesotrione to Dow AgroSciences, LLC for the mixture product.

*Recently launched products*

- *DUAL GOLD®* and *DUAL MAGNUM®* are replacing our top-selling metolachlor products such as *DUAL®*. These products contain S-metolachlor, which is used at a 35% to 40% lower rate than metolachlor. This not only reduces the amount of product sprayed on fields, thus responding to the pesticide reduction goals established by many countries, but decreases the energy required to produce, transport and store the product, as well as decreasing total packaging material. S-metolachlor is well tolerated and can be safely used on more than 70 different crops. It may also be used effectively in combination with other herbicides such as in *BICEP MAGNUM®* (S-metolachlor and atrazine). These products are currently being rolled out worldwide.

*Key marketed products*

- *DUAL®* and *BICEP®*, our leading corn grass herbicides, are currently being replaced by *DUAL GOLD®*, *DUAL MAGNUM®* and *BICEP MAGNUM®*. See "- Recently launched products".

- *AATREX*® and *GESAPRIM*® act mainly against broad-leaved weeds. Although the active substance, atrazine, was introduced in 1957, and accordingly has been off-patent for a number of years, it remains an important product for broad-leaved weed control in corn. It is currently going through a re-registration process in major markets and has received favorable evaluation in the United States by the EPA's Scientific Advisory Panel as to carcinogenicity. Pursuant to the commitments given to the European Commission, Novartis has agreed that it will stop commercializing its atrazine straight (including the trade mark *GESAPRIM*®) in France.

- *TOPIK*®, *HORIZON*® and *CELIO*® are grass herbicides. They provide the broadest spectrum of annual grass control currently available for wheat. To further increase selectivity in cereals the active substance clodinafop is mixed with the safener cloquintocet.

- *BANVEL*® and *MONDAK*®, containing the active substance dicamba, are herbicides that control broad-leaved weeds in corn and small grain cereals and are used also in turf and ornamentals, pastures, non-crop land, rice and sugarcane. Dicamba has an excellent toxicological and environmental profile. Rights to sell the active substance dicamba in the United States and Canada were sold to BASF in 1996 pursuant to an FTC decision. Syngenta may still sell the active substance dicamba and established products outside the United States and Canada and new products combining dicamba with other active substances worldwide.

- *LOGRAN*® or *AMBER*®, based on triasulfuron, is a post-emergence herbicide for use in small grain cereals that also can be used in transplanted rice. It controls major annual broad-leaved weeds and some grasses. Triasulfuron is absorbed by leaves and roots. It is rapidly transported within the plant and acts by inhibiting biosynthesis of essential amino acids, hence stopping cell division and plant growth.

- *MODDUS*® is based on trinexapac-ethyl, a plant growth regulator. In cereals it reduces growth so that treated plants stay shorter and have stronger stems, enhancing their ability to withstand storms (lodging control). In sugarcane it is a yield enhancer and harvest management tool.

- *FUSILADE*®, a selective herbicide, which we believe is the market leader for post-emergence control of grass weed in broad-leaved crops. It is registered for use in over 60 crops with major outlets in cotton and soybeans in the United States and sugarbeet and oilseed rape in Western Europe. The selective action of *FUSILADE*® allows growers to delay application until grass weeds appear, allowing cost-effective weed control.

- *FLEX*® is a post-emergence selective herbicide for control of broad-leaved weeds in soybeans, complementary to *FUSILADE*®.

- *ACHIEVE*® is a post-emergence selective herbicide which controls grass weeds in wheat and barley.

- *ORDRAM*® is a herbicide for control of annual grass weeds in rice. Pursuant to the commitments given to the European Commission, AstraZeneca has agreed to divest to a third party by way of an exclusive license to manufacture and sell, or an exclusive right to distribute, the molinate-based formulation of *ORDRAMSOPRA*® in France for use on rice until 2008.

***Non-selective Herbicides***

*Key marketed products*

We have a strong position in the fast-growing non-selective herbicide market.

- *GRAMOXONE*® is our principal brand name for paraquat, a non-selective contact herbicide first introduced in 1962. Paraquat is one of the world's three largest selling herbicides and is our second largest selling product. It has been a best selling product in the development of minimum tillage cropping systems, the adoption of which continues to increase because of benefits such as the reduction of soil erosion. *GRAMOXONE*® is registered in over 120 countries around the world.

- *TOUCHDOWN*®, a non-selective herbicide with systemic activity, is a premium product in the market for glyphosate-based products, which represents the fastest growing herbicide product sector in the industry. Differentiated from other herbicides of its class by its speed of action and tolerance of heavy rain, *TOUCHDOWN*® is now registered in over 90 countries, including for use on herbicide tolerant soybeans in the United States.

- *REGLONE*®, a non-selective contact herbicide, allows easier harvesting and reduced drying costs as well as weed control.

***Fungicides***

*Products in development*

- Picoxystrobin, a second generation strobilurin fungicide related to our best-selling *AMISTAR*®, is scheduled for launch in 2002. A U.S.$75 million manufacturing plant is under construction at Grangemouth, United Kingdom. We are also developing anti-fungal proteins and other genetic fungal control mechanisms to complement our strong range of fungicides and to offer growers an integrated approach to plant disease management.

*Recently launched products*

- *RIDOMIL GOLD®* is based on metalaxyl-M, a patented, isomeric form of our leading metalaxyl fungicide against late blight and downy mildew diseases. *RIDOMIL GOLD®* is effective at half the use rate of *RIDOMIL®*, which benefits users and the environment. It is applied to foliage or soil and effective on potatoes, grapes, tobacco, vegetables, citrus, soybeans, turf and ornamentals. It has been introduced in major markets and will continue to be rolled out in additional countries in 2001.

- *BION®*, *BOOST®* and *ACTIGARD®* contain acibenzolar-S-methyl, an activator of horizontal resistance in plants. That is, these products have no direct effect on the fungus, but rather stimulate the plant's natural defense mechanism against fungi, bacteria and viruses. These products, therefore, represent a novel complement to current crop management methods. Other products containing this active substance are being developed for a wide range of crops and introduced in different markets.

- *AMISTAR®*, a strobilurin fungicide introduced in 1997 and widely launched in 1998 and 1999, is the world's best selling proprietary fungicide and our largest selling fungicide. It is registered for use in over 60 countries and for over 60 crops. To meet the growing demand, a second manufacturing plant was commissioned in 1999 at Grangemouth, United Kingdom.

*Key marketed products*

- *RIDOMIL®*, our leading fungicide, is currently being replaced by *RIDOMIL GOLD®*. See "- Recently Launched Products".

- *TILT®*, originally licensed from Janssen, was introduced in 1980 and has developed into our most successful foliar fungicide for broad spectrum disease control in cereals, bananas, turf and other food and non-food crops. Propiconazole, its active substance, is systemic and provides a strong curative and protective activity against a wide range of plant pathogens including powdery mildews, rusts and other leaf spot pathogens of cereals, bananas, rice, corn, peanuts, sugarbeet, and turf. Pursuant to the commitments given to the European Commission, Syngenta has agreed to grant an exclusive right to Makhteshim Agan Industries Ltd. to use and sell its *TILT 250EC®* and *TILT 6.25GL®* formulations for use on cereals in Denmark, Finland and Sweden for the duration of their registrations.

- *SCORE®*, based on difenoconazole, is a systemic triazole fungicide with broad spectrum activity against plant diseases, particularly leaf spots of pome fruit, vegetables, field crops and plantation crops. Long-lasting protective and strong curative activity make it well suited for threshold based plant disease management whereby the plant is treated only when the development of the disease has passed a certain point. Target crop pathosystems include Cercospora, Alternaria, Septoria and other leaf spots, powdery mildews and scabs in wheat, bananas, sugarbeets, peanuts, potatoes, pome fruits, grapes, rice and vegetables.

- *GEOXE®* is based on the phenylpyrrole fungicide fludioxonil and is used primarily on grapes to control Botrytis, a major disease.

- *UNIX®* is based on cyprodinil and is a powerful fungicide for use on cereals. It is used to control eyespot, powdery mildew and leaf spot diseases. Because it has a new mode of action, it is a particularly effective solution where resistance to other fungicides has developed. *CHORUS®* and *SWITCH®* are cyprodinil-based formulations which are used on pome fruit (such as apples and pears) or on grapes and vegetables, respectively.

- *ALTO®* contains the systemic fungicide cyproconazole with broad spectrum activity, especially against rust and leaf spot in cereals, sugarbeet and coffee. Pursuant to the commitments given to the European Commission, Syngenta has granted an exclusive license to manufacture, use and sell cyproconazole straight in the EEA to Bayer, under Bayer's own trade name. Syngenta will be permitted to re-commence sales of cyproconazole straight, under the *ALTO®* (or other) brand name in 2005 at the latest.

- *BRAVO®*, acquired in 1998, is a world-leading fungicide in terms of sales. With its multi-site mode of action, it is a good partner for *AMISTAR®* and is being increasingly integrated into disease control programs which use both products.

- *SHIRLAN®* is a fungicide for control of potato blight and other diseases.

***Insecticides***

We have concentrated our efforts in insecticides on a portfolio of about ten modern, safe and effective products and are in the process of phasing out some older products that have been superseded by the newer solutions in our range.

*Products in development*

- *NEMATHORIN®* is a new product offering growers a new tool to combat nematodes, soil acting pests that can reduce crop yields. *NEMATHORIN®* delivers the same agronomic benefits as existing products but has a better toxicological and environmental profile. *NEMATHORIN®* was successfully test-marketed in the United Kingdom in 1999.

*Recently launched products*

- *ACTARA®* is a thiamethoxam-based product, highly active at low use rates against a broad spectrum of soil and sucking insects. Thiamethoxam is highly systemic and well suited for application as a foliar spray, drench or drip irrigation. It is fast-acting, works equally well under dry and wet conditions and has a favorable safety and environmental profile. Its mode of action differs from that of older products, which makes it effective against insect strains that have developed resistance to those products. It is being developed on a broad range of crops, including vegetables, potatoes, cotton, soybeans, rice, pome fruits, stone fruits (such as peaches or plums) and tobacco. As of March 31, 2001 it was registered in 50 countries. It is being rolled out worldwide. This product is subject to a patent dispute. See "Item 8 – Financial Information – Legal Proceedings".

- *PROCLAIM®* or *AFFIRM®* is an emamectin-benzoate based product. It provides control of caterpillars on cotton and vegetables, combining a unique mode of action with extremely low use rates and is compatible with integrated pest management. It has been launched in its major markets, Japan, Korea and the United States.

- *CHESS®* or *PLENUM®*, containing the active substance pymetrozine, inhibits the feeding mechanism of sucking pests, and can be used in vegetables, cotton, stone fruits, potato and ornamentals. Because it is safe for beneficial insects and pollinators, this product is ideal for use in integrated pest management programs.

*Key marketed products*

- *VERTIMEC®* or *AGRIMEK®* contains abamectin, which is produced by fermentation. This potent insecticide and acaricide is used at very low dose rates against mites, leafminers and some other insects in fruits, vegetables, cotton and ornamentals. Abamectin rapidly penetrates the plants, and is a useful product for integrated pest management.

- *CURACRON®* or *SELECRON®* is based on profenofos and offers good control of caterpillars. It is a broad spectrum product, and because of its good penetration, sucking insects like mites and trips are also well controlled. The main field of application is in cotton, but it is also used in vegetables, soybeans and potatoes.

- *SUPRACIDE®*, containing methidathion, is used to control scale insects in fruits and nuts (e.g., citrus, olives, pome and stone fruits).

- *MATCH®* is an insect growth regulator based on lufenuron that controls caterpillars in corn, potatoes, cotton, vegetables and fruits. In 2000 it was the leading insecticide in terms of sales in its chemical class.

- *KARATE®*, the world's leading agricultural pyrethroid brand, is our largest selling insecticide. A novel product branded *KARATE®* with *ZEON®* technology, was launched in the United States in 1998 and registration approvals and launches in other major markets have continued apace. *ZEON®* technology offers performance benefits and enhanced user and environmental safety.

- *FORCE®* is the market leader in the corn soil insecticide sector. As the only stand-alone granular pyrethroid launched in this sector, it offers growers both highly effective control of a wide range of pests and an alternative to the older products available in this sector.

***Professional Products***

Through professional products, we expand the use of our crop protection products into additional areas, such as seed treatment and turf and ornamentals products.

*Products in development*

- *IMPASSE®* is a new development of lambda-cyhalothrin (the active substance of *KARATE®*) which offers pre-construction termite control in the building industry. We are working towards a 2002 registration in the United States.

*Seed Treatment*

The use of seed treatment products is an effective, efficient, and targeted method to protect the seedling and the young plant against diseases and pests during a period when they are most vulnerable. Our broad range of fungicides and insecticides allows us to provide a modern portfolio of safe and highly effective products. As premium seeds increase in value, seed protection becomes more important. The following are our major products:

- *DIVIDEND®* or *SPECTRO®* is difenoconazole-based, and is active against a broad range of diseases including bunts, smut and damping off on cereals, cotton, soybeans and oilseed rape. This product is highly systemic and provides a long lasting, high level activity. It is safe to the seed and the seedling and gives a faster germination than other products in the market.

- *APRON® XL* is a metalaxyl-M-based product used for the control of seed and soil borne diseases caused by fungi such as Pythium, Phytophtora and downy mildews. It is used worldwide on a wide variety of crops, including field, vegetable, oil and fiber crops. Metalaxyl-M is also used as a mixing partner for seed protection at low use rates.

- *MAXIM*® or *CELEST*® is a contact fungicide with residual activity. Derived from a natural compound, the active substance fludioxonil combines crop tolerance with low use rates. Its spectrum covers seed and soil borne diseases like damping off, bunt, smut and leaf stripe on cereals. Used alone or in mixtures with other active substances, it is also effective on corn, rice, cotton, potatoes and peas.

- *CRUISER*® is a seed treatment brand for thiamethoxam. It has systemic activity and provides for a strong and uniform stand establishment in a wide range of crops including cereals, cotton, soybeans, canola, sugarbeet, corn, sunflower and rice. Its properties are such that it provides a consistent performance under a wide range of growing conditions. Thiamethoxam acts against a wide range of early season sucking and chewing, leaf-feeding and soil-dwelling insects like aphids, trips, jassids, wireworms, flea beetles and leafminers. As of March 31, 2001, *CRUISER*® was registered in 26 countries, including Brazil, and is currently being rolled out worldwide. This product is subject to a patent dispute. See "Item 8 – Financial Information – Legal Proceedings".

*Turf and Ornamentals*

The turf and ornamentals products cater to the special needs of the non-crop markets. We offer a range of specialized products for use in turf (golf courses and sports fields), ornamentals (cut flowers, bedding plants and nurseries), vegetation management (roads, railroads, rights-of-way) and for home and garden use.

*Recently launched products*

- *HERITAGE*® is a product based on azoxystrobin which provides disease control in turf. A major outlet is golf courses.

*Key marketed products*

- *FLAGSHIP*® in ornamentals and *MERIDIAN*® in turf are the brand names for thiamethoxam, a broad-spectrum insecticide.

- *BARRICADE*®, based on prodiamine, is a leading pre-emergence grass and broad-leaved weed herbicide in turf.

- *PRIMO MAXX*® is a plant growth regulator for turf that increases stress tolerance and decreases clippings.

- *AVID*® is the tradename in this market for abamectin, the world's leading acaricide in ornamentals against mites.

- *Diazinon* is one of the most popular products in the home and garden market. Although it has been on the market for many years it continues to have high sales.

- *DACONIL*®, the chlorothalonil fungicide, is used on turf in the United States, often on golf courses, where it complements *HERITAGE*®.

*Other Professional Products*

- *ICON*®, based on the active substance lambda-cyhalothrin, is used in public health outlets for control of malaria and other tropical diseases and nuisance pests, such as house flies and cockroaches. It was the first pyrethroid to be approved for malaria control by the World Health Organization. In addition to being sprayed, it can be incorporated into bednets to offer added protection.

***Principal Markets***

The following table sets out sales for the years ended December 31, 2000 and 1999 of our crop protection products by region:

| | **Syngenta Sales (pro forma)(1)** | | | |
|---|---|---|---|---|
| | **2000** | | **1999** | |
| | **(U.S.$ million)** | **(%)** | **(U.S.$ million)** | **(%)** |
| Europe & AME | 1,991 | 34 | 2,310 | 38 |
| NAFTA | 2,008 | 34 | 1,933 | 32 |
| Latin America | 850 | 14 | 850 | 14 |
| Asia Pacific | 1,039 | 18 | 954 | 16 |
| **Total** | 5,888 | 100 | 6,047 | 100 |

(1) Explanation of Pro Forma Numbers: Under U.S. GAAP and IAS, the Transactions were treated as a purchase of Zeneca agrochemicals business by Novartis agribusiness on November 13, 2000. As such, the statutory audited financial statements do not include the financial results for Zeneca agrochemicals business prior to this date. In order to provide a meaningful comparison of sales performance between 2000 with 1999, unaudited pro forma sales numbers have been prepared for both years. The pro forma sales numbers have been prepared on the basis that both businesses are deemed to have been merged with effect from January 1, 1999. The pro forma sales results exclude all products divested or to be divested in compliance with competition authority mandates in connection with the formation of Syngenta.

Syngenta sells its products in over 120 countries and has a strong presence in all regions. It is the number one company in terms of sales in each of the regions.

***Production***

The manufacture of crop protection products can be divided into three phases:

- manufacture of the active substance
- formulation of products from these active substances
- packaging of the products

Our major production sites for active substances are located in Switzerland, the United States and the United Kingdom. While individual active substances are normally produced at one manufacturing site, formulations are produced and packaged at several different strategically located plants, close to the principal markets in which those products are sold. We operate major formulation and packing plants in Brazil, China, France, South Korea, Switzerland and the United States, the United Kingdom, Belgium and India.

We manage our supply chain globally with regional centers that implement policies on a local basis. We manage our supply chains on a product-by-product basis from raw materials through to delivery to the customer in order to maximize both supply chain efficiency and customer responsiveness. We outsource the manufacture of a wide range of raw materials, from commodities through fine chemicals to dedicated intermediates. Sourcing decisions are based on a combination of logistical, geographical and commercial factors. We have a strategy of maintaining, when available, multiple sources of supply.

***Marketing and Distribution***

We have marketing organizations in all our major markets with dedicated sales forces which provide customer and technical service, product promotion and market support. Products are sold to the end user through independent distributors and dealers, most of whom also handle other manufacturers' products. Our products are normally sold through a two-step or three-step distribution chain. In the two-step chain we sell our products to cooperatives or independent distributors, which then sell to the grower as the end user. In the three-step system, we sell to distributors or cooperative unions who act as wholesalers and sell the product to independent dealers or primary cooperatives before on-sale to growers. We also sell directly to large growers in some countries. Our marketing network enables us to launch our products quickly and effectively and to exploit our range of existing products. We focus on the key crop opportunities according to the territory. In a few countries where we do not have our own marketing organization, we market and distribute through other distribution channels. Generally, the marketing and distribution system in a country does not vary by product.

Our marketing activities are directed towards the distributors, agricultural consultants and growers. They consist of a broad range of advertising and promotional tools, such as meetings with growers and distributors, field demonstrations, advertisements in specialized publications, direct marketing activities, or information via the Internet. We also are in constant contact with the food and feed chain to evaluate their current and future needs and expectations.

A key element of our marketing is grower support and education. This is particularly important with respect to small growers in developing countries. Over the last five years we have held numerous courses around the world for growers as a result of which tens of thousands have been trained in the safe and sustainable use of crop protection products. We also train agricultural extension workers and distributors so that they can further disseminate good practice and reach an even wider audience.

***Research and Development***

With major research centers in Basel, Switzerland; Jealott's Hill International Research Centre, England; and Syngenta Agribusiness Biotechnology Research, Inc. ("SABRI") at Research Triangle Park in North Carolina, Syngenta's research and development is focused on effective and environmentally friendly crop protection solutions suitable for integrated crop management and innovative application of biotechnology to improve research efficiency. Syngenta invested on research and development in crop protection U.S.$303 million in 1999 and U.S.$312 million in 2000 (the figure for 2000 includes U.S.$35 million from the Zeneca agrochemicals business).

We are continuously improving the research process, building on well established platforms in chemistry, biology and biotechnology. Novel tools, methods and information services allow us to evaluate a greater range of diverse chemicals more quickly and efficiently than ever before. We use high throughput screening to test over two hundred thousand compounds each year using *in-vivo* test systems. Combinatorial chemistry and high speed synthesis have been advanced in order to prepare a sufficient number of compounds for these tests. A crucial feature is library design, a structured approach to combinatorial chemistry which ensures that the chemical entities possess properties which relate to the desired product profile. Compounds showing promising activity are further characterized in screening systems consisting of a series of project specific, customized greenhouse and growth-chamber tests, including indicator tests for environmental parameters (e.g., soil persistence, leachability) and tests to provide early indications of safety issues for humans. Those compounds showing advantages in efficacy and safety over the best commercial standards are broadly evaluated in the field.

Once we select a compound for development, we test it worldwide on the most important crops under different climatic conditions and in varying soils. In parallel, an industrial scale manufacturing process is identified and optimized, and appropriate formulations and packages are developed. The use of multidisciplinary research teams to refresh the existing product range is key to continued success in the face of competition, even after patent expiry.

We perform an extensive investigation of all safety aspects involving many tests to ensure the safety of our products. The human safety assessments address potential risks to both the users of the product and the consumers of food and feed, while in environmental safety we seek assurance that the product will not adversely affect soil, water, air, flora and fauna.

In addition to our own research and development efforts, we have strengthened our business platform through targeted acquisitions. We have also entered into a number of research and development agreements around the world for combinatorial chemical libraries, high throughput screening and follow-up of leads.

We also take advantage of research conducted through the Torrey Mesa Research Institute, Inc ("TMRI"). See "Seeds - Research and Development".

***Environment***

We designed our environmental management program with the aim of ensuring that our products and their manufacture pose minimal risks to the environment and humans. The crop protection industry is subject to environmental risks in three main areas: manufacturing, distribution and use of product. We aim to minimize or eliminate our environmental risks by using appropriate equipment, adopting "best industry practice" and providing grower training and education.

The entire chain of business activities, from research and development to end use, operates according to the principles of product stewardship. We are committed voluntarily to the responsible and ethical management of our products from invention through to ultimate use. We employ environmental scientists around the world who study all aspects of a product's environmental behavior.

Specially designed transportation and storage containers are used for the distribution of hazardous products and efficient inventory control procedures minimize the creation of obsolete stocks.

Regarding risks relating to the use of our products, we have developed a rigorous screening and development process. All active substances and products must meet both our internal standards and regulatory requirements.

We provide support to growers on a local level such as training in application techniques and assistance in calibrating spray equipment in order to promote safe handling of our products. We extend product stewardship long after sales in several ways, for example, by collecting and safely destroying outdated products, and providing returnable containers to reduce waste.

Crop protection products are subject to rigorous registration procedures which are aimed at ensuring safe product usage in the field. In addition to complying with these regulatory requirements, we have adopted our own Health, Safety and Environment ("HSE") management system. This provides a clear framework of management processes applicable at all sites, whatever the regulatory requirements in the country in which the site is situated. This HSE system is consistent with international HSE management standards, such as ISO 14001, and is capable of external verification.

We maintain a register of sites to identify manufacturing and distribution sites and locations that may have been contaminated in the past. The register is the basis for the allocation of appropriate provisions and action programs regarding measures to be taken. A risk portfolio is prepared for each site and reviewed annually. The risk portfolio is also applied to third party manufacturers in order to identify and exclude bad or poor performing companies.

***Intellectual Property***

We protect our investment in research and development, manufacturing and marketing through patents, design rights and trademarks. In addition to patent cover for an active substance *per se*, patent protection may be obtained for processes of manufacture, formulations, assays, mixtures, and intermediates. These patent applications may be filed to cover continuing research throughout the life of a product and may remain in force after the expiry of a product's *per se* patents in order to provide ongoing protection. The territorial cover of patent filings and the scope of protection obtained varies depending on the circumstances and the country concerned.

Patents relating to gene-based crop protection and enhancement may cover transgenic plants and seeds gene effects, genetic constructs and their individual components thereof and enabling technology for producing transgenic plants and seeds.

Registration and re-registration procedures apply in all major markets.

Products must obtain governmental regulatory approval prior to marketing. The regulatory framework for crop protection products is designed to ensure the protection of the consumer, the grower and the environment.

Most of our principal markets have regular re-registration procedures for crop protection products. Within certain time periods a product's technical dossier is reviewed in order to guarantee that it adheres to all standards, which may have changed or been added to since the product was initially registered. The standards and requested trial protocols change over time. Re-registration of a product or compound may not be granted if the registration package fails to meet the then current requirements.

We enforce our intellectual property rights, through litigation if necessary.

***Competitive Environment***

The leading companies in the crop protection industry are units of large integrated life sciences or chemical companies based in Western Europe and NAFTA. Companies compete on the basis of strength and breadth of product range, product development and differentiation, geographical coverage, price and customer service. Market pressures and the need to achieve a high level of research and development capability, particularly with the advent of biotechnology, have led to consolidation in the industry. The top eight such companies account for more than 75% of the world-wide market. Syngenta's competitors include Aventis, Monsanto, Dow, DuPont, Bayer, and BASF. In many countries, generic producers of off-patent compounds are additional competitors to the research-based companies in the commodity segment of the market.

**Seeds**

***Products***

We develop, produce and market seeds and plants developed in accordance with advanced genetics and related technologies. We sell our products in all major markets.

Our seed portfolio is one of the broadest in the business, offering over 3,000 varieties and 33 species. In 1999, we had the second largest market share for vegetables, flowers and sugarbeet and the third largest for corn and oilseeds based on sales.

Seed products are derived from a germplasm pool and developed further utilizing sophisticated plant breeding methods. We divide our products into field crops such as corn, soybeans, oilseeds and sugarbeet, with U.S.$552 million in sales in 2000, which accounted for 58% of our total sales; and vegetables and flowers, with U.S.$406 million in sales in 2000 which accounted for 42% of our total sales.

Below are charts showing products in development and recently launched products. Products in development are those we are currently planning to bring to market. Recently launched products are those that we have introduced in the past two years and are growing.

**Products in Development**

| Crop Species | Targets |
|---|---|
| ***Field Crops*** | |
| Corn | Improved corn borer and broad spectrum insect resistance<br>High protein grain,<br>Grain health/toxin free |
| Sunflowers | Oil quality (mid-oleic acid)<br>Disease-resistance |
| Oilseed rape | High yield top cross hybrids<br>Fungal disease resistance |
| Sugarbeet | High sugar concentration |
| Soybeans | Nematode-tolerance, herbicide-tolerance |
| Cotton | Insect-resistance |
| Cereals | Superior bread/biscuit quality wheat<br>Improved malting quality |
| ***Vegetables and Flowers*** | |
| Tomatoes, lettuce, melons and peppers | Virus and fungal disease resistance |
| Tomatoes, melons and brussel sprouts | Improved shelf life/flavor/aroma |
| Cabbage and sweetcorn | Pest resistance |

**Recently Launched Products**

| Product | Crop Use | Target | Market |
|---|---|---|---|
| ***Field Crops*** | | | |
| NK®N58-D1 | Bt corn hybrid | Boring insect resistance | United States |
| *PROSHIELDÔ* | Corn hybrids with seed treatment | Corn rootworm control | United States |
| *NK®* Traktor | Corn hybrids | Disease, drought and stress | Brazil |

| | | | |
|---|---|---|---|
| | | tolerance | |
| *NK*®S29-C9 | Soybean | Stress tolerance | United States |
| ***Vegetables and Flowers*** | | | |
| *ROGERS® ATTRIBUTE®* | Sweet corn | Pest resistance | United States |
| *S&G® Roxy* | Winter bell pepper | Food quality | Europe |
| *S&G® CAJUNÔ* | Impatiens flower | Variety assortment | United States |
| *S&G® BIRESÔ* | Peppers | Resistance to multiple viruses for winter crops | Spain |

***Products in Development***

We seek to produce improved hybrid and varietal seeds to meet the varying circumstances and demands of our customers. We are currently concentrating on further improvement of traits advantageous to the grower, i.e. input traits. Increasingly we will be seeking to develop seeds with improved traits advantageous to the consumer and the food chain, i.e. output traits such as improved digestibility and net protein utilization for crops used for animal feed, oilseeds that produce higher quantities or healthier oils and vegetables with improved flavor, texture and appeal.

***Recently Launched Products***

Two of the following recently launched products illustrate our capability as a technology integrator (*PROSHIELD*™) and our commitment to the food chain (*S&G® Roxy*).

- *NK®* N58-D1 contains our Bt corn technology. We expect this product like other new hybrids to improve the Company's competitiveness.
- *PROSHIELD™* is a proprietary patented seed coating system that accurately delivers corn rootworm protection to corn plants through direct application of insecticide to the seed. It offers convenience to the grower over traditional insecticide applications and is the first seed-delivered corn rootworm control on the market. Corn rootworm is a pest responsible for significant economic damage to plants and accordingly we expect demand for *PROSHIELD™* to grow, in particular in the corn belt of the United States.
- *S&G® Roxy* is a winter bell pepper offered in Spain that is well received by consumers due to its special qualities in terms of firmness, shape, color and taste.
- *NK®* S29-C9 is a soybean developed to tolerate *Roundup®* (*Roundup®* is a registered trademark of Monsanto Company) nonspecific herbicides. This seed offers outstanding yields plus herbicide flexibility, and is adaptable to a range of environments. It also provides moderate resistance to brown stem rot.

***Key Marketed Products***

*Field Crops*

- *Corn.* We offer *NK®* corn hybrids in a full range of maturities. These hybrids are characterized by their high yield potential, uniformity and vigor.

  In addition to a large range of conventional corn hybrids, we offer genetically enhanced Bt corn products. *NK® YIELDGARD®* and *NK® KNOCKOUT®* have built-in insect protection. (*YIELDGARD®* is a registered trademark of Monsanto Company).
- *Sugarbeet. HILLESHÖG®* sugarbeet are bred to develop high yielding varieties with good disease tolerance, high sugar content and juice purity.
- *Oilseeds.* We offer *NK®* sunflowers, soybeans and oilseed rape. Our sunflower seed varieties are bred for high yield as well as disease resistance. Syngenta's soybean varieties combine high yield and genetic superiority and, in some cases, herbicide tolerance, which gives growers flexibility in their weed control. The company's oilseed rape varieties offer good oil production and plant health.

*Vegetables and Flowers*

- *Vegetables.* Under the *S&G®* and *ROGERS®* brands, Syngenta offers a full range of vegetable seeds, including cauliflower, sweet corn, beans, peas, tomatoes, peppers, cucumbers, watermelons, oriental radish, cabbage, squash and melons. The company breeds resilient varieties with high yield potential, which can resist and tolerate pests and diseases. We develop genetics that address the needs of consumers and distributors as well as processors and commercial growers. Newly introduced products include BIRES™ peppers with resistance to multiple viruses for winter crops and TRIPLESWEET® sweet corn particularly appreciated by fresh sweet corn customers.

- *Flowers.* Under the *S&G®* brand, we develop flower seeds, plugs and vegetative multiplication material (such as cuttings) which we sell to commercial growers of horticultural crops. We focus on breeding innovative flower varieties. Our range includes popular bedding plants such as begonia and petunia; house plants, such as cyclamen and poinsettia; cuttings for the increasing market of hanging baskets such as geranium and verbena; and a wide range of attractive perennials.

Popular leading products are:

- *CAJUN™*, a new series of impatiens, which offers improved shelf life to growers and retailers.
- *PANSY DELTA®*, which is popular in the United States for its uniformity across a wide range of colors.

Both products are also offered with *PREMAGIC®* and *PRENOVA®* seed technology, the leading pregerminated seed available to commercial greenhouse growers, allowing them to profit from greater efficiency and consistent performance.

***Principal Markets***

The following table sets out 2000 sales of our seeds products by region:

| | Syngenta Sales | | | |
|---|---|---|---|---|
| | 2000 | | 1999 | |
| | (U.S.$ million) | (%) | (U.S.$ million) | (%) |
| Europe & AME | 387 | 40 | 416 | 44 |
| NAFTA | 429 | 45 | 409 | 43 |
| Latin America | 85 | 9 | 67 | 7 |
| Asia Pacific | 57 | 6 | 58 | 6 |
| **Total** | 958 | 100 | 950 | 100 |

***Production***

Independent contract growers tend and harvest our seed near Syngenta facilities throughout the world. After the harvest, the raw seed is sent to our processing facilities, where it is cleaned, calibrated, treated and packaged. The largest facilities are located in Argentina, Brazil, Canada, France, Hungary, Italy, the Netherlands, Spain, Sweden and the United States. For large seed products, seed production tends to occur as close to the intended markets as possible, in order to match cost effectiveness with the growing conditions that are optimal for the variety. This also eases logistics for seed products that requires secure storage and timely delivery for the use season.

Due to our global presence, we can engage in seed production year-round and reduce the weather-related seed production risk. In addition, because our facilities are located in both the Northern and Southern hemispheres, we can shorten the time from breeder seed to commercial production so that we can produce marketable quantities more quickly than if we were dependent on only one growing season.

***Marketing and Distribution***

Our products are marketed throughout the world through well known brands, some of which have been established for over 100 years. Our flagship brands are *NK®*, *HILLESHÖG®*, *S&G®* and *ROGERS®*. The *NK®* brand is used for corn, soybean, sunflowers and oilseed rape, and several other special crops. The *HILLESHÖG®* brand is used in sugarbeets and appears in every major market in Europe, Japan and the United States. The *S&G®* brand is a leading brand for vegetables in Europe, Africa and Asia Pacific, and is known throughout the world for flower seeds and young plants. The *ROGERS®* brand is well known in the Americas to growers and the food-processing industry for vegetable seeds, including peas, beans and sweet corn. The majority of our brands are marketed by our sales force, servicing customers directly, in partnership with distributors, or through a network of dealers.

Traditionally, seeds and crop protection products were marketed separately. However, to provide integrated crop solutions and services, our seeds business is increasingly working together with our crop protection business to develop joint marketing approaches and initiatives. The objective has been to combine and capitalize on the strength of each segment to maximize their competitive advantages as the traditional crop protection and seeds markets become increasingly inter-related. This strategy is primarily focused on corn, vegetables, cereals and rice, which collectively, represent more than half of crop protection and seeds combined sales. Where beneficial, crop protection and seeds sales forces coordinate customer approaches and jointly promote products offering crop solutions that include broad product combinations and services.

***Research and Development***

We operate 72 breeding and germplasm enhancement centers, which focus on advancing the performance, stability and quality of seed varieties for more than 17 food crops. Because our customers need locally adapted crop varieties, and in order to satisfy local concerns, our centers are located around the world. At these centers, nearly one thousand permanent employees focus research efforts on creating new varieties with greater productivity, tolerance to pests and other environmental stresses, and better quality characteristics such as nutritional composition, safety, consumer appeal and shelf life.

We operate biotechnology and seed research technology sites in Brazil, France, the Netherlands, Sweden and the United States. At these sites, we apply advanced marker-assisted breeding, and seed processing, pelleting, coating and upgrading technologies to seed products. Total research and development spending was U.S.$117 million in 1999 and U.S.$103 million in 2000.

We expect that in the future end users such as livestock feeders, grain processors, food processors and other partners in the food chain will demand specific qualities in the crops they use as inputs. We have entered into a number of targeted alliances with other enterprises, in order to further broaden the germplasm base and develop partnerships that will enable us to create more valuable products. None of these alliances is currently material to our business, and it is difficult to predict which of these alliances is most likely to produce a successful product in the future. In most cases royalties would be payable upon commercial exploitation. However, below we list a sample of the alliances in which we are currently engaged. These include:

- Wilson Genetics LLC (United States): A 50:50 joint venture with Land O'Lakes to develop value-added traits for specialty high protein and white corn hybrids for the food and feed markets; the joint venture is non exclusive.

- Société Etablissement C.C. Benoist (France): Strategic minority participation covering cereal grains to form a cereals development center.

- Eridania Béghin-Say (France): Overall majority shareholding in their seeds business coupled with joint development projects for new quality traits for grain, sugar and oil derivatives.

- Secobra Recherche SA: Minority shareholding in malting barley research consortium with major malting and brewing interests; the shareholders have mutual rights of first refusal for technology and new varieties.

- Diversa Corporation: Joint venture to pursue opportunities in the field of animal feed (additives and formulations) and agricultural product processing.

In addition, we have entered into a number of research and development agreements with companies and academic institutions around the world. These agreements include the following:

- Centro Internacional de Agricultura Tropical (Cali, Colombia) for assistance in Geographic Information System ("GIS") by satellites in Latin America.

- Wageningen Agricultural University: GIS technologies for Europe.

Although traditionally crop protection and seeds have pursued research and development efforts independently, as demand grows for integrated crop solutions, research goals, like marketing systems, converge. Accordingly, we are conducting research that we expect will benefit both crop protection and seeds products. Basic research expenses of U.S.$68 million in 1999 and U.S.$122 in 2000 are accounted for under Corporate and other expenses (the figures for 2000 includes U.S.$15 million from the Zeneca agrochemicals business). To this end, we operate three advanced centers for biotechnology research: Jealott's Hill in England and TMRI and SABRI in the United States. These organizations are dedicated to finding solutions using the latest discoveries in agricultural genomics and biotechnology. TMRI uses structural and functional genomics to generate sequence and expression databases that match genes with traits and provides advanced technologies that can be broadly applied in agribusiness research for the development of gene-based and chemically based products. The results of this research are applied at JH and SABRI to the development of new screening tools and improved crop protection compounds and to deliver new characteristics to improved plant varieties. In-house work is complemented and strengthened through numerous external alliances including major collaborations with:

- Diversa Corporation: discovery of new transgenic approaches to enhance crop performance and improve quality traits

- Myriad Genetics Inc.: basic sequences of cereal genomes

- University of California, Berkeley: research agreement in genomics and functional genomics with option for exclusive licenses

- Centrum voor Plantenveredelings- en Reproductieonderzoek (CPRO): research agreement for insect control principles with exclusivity

- University of North Carolina at Chapel Hill: studies on disease resistance mechanisms in plants

- Japan Tobacco Inc.: 50/50 joint venture to research and exploit rice biotechnology on an exclusive basis. Royalties are payable to both shareholders on commercial exploitation.

- John Innes Centre: non-exclusive research collaboration relating to the use of genes to improve the quality, yield and disease resistance of crops, principally wheat. Research fees are payable and, on commercial exploitation, royalties.

- Maxygen Inc.: exclusive collaboration relating to gene optimization to provide improved insect, disease and herbicide resistance of oilseeds, vegetables and cereal crops. Fixed fees and royalties are payable on commercial exploitation.

- Incyte Pharmaceuticals, Inc.: non-exclusive agrigenomics collaboration. Royalties are payable on commercial exploitation.

***Competition***

The main competitive factor remains the quality of the seed and plant germplasm. Historically, competition in the seeds industry has been fragmented, with small producers competing in local markets. More recently, however, technological advances requiring higher research and development spending, along with price competition brought about by oversupply, have forced new alliances, aggressive product creation and marketing concepts and price competition. This environment favors the companies that have a biotechnological platform and the competition is increasingly differentiated on this basis. At present, Syngenta's leading competitors in terms of sales in the seed market are: Pioneer/DuPont, Monsanto, Limagrain, Seminis, Advanta, KWS, Aventis, Sakata, Takii, and Dow (Mycogen).

***Intellectual Property***

We maintain the ownership of, and control the use of, our inbreds and varieties by means of intellectual property rights, including, but not limited to, the use of patents, trademarks, limited licenses, trade secrets, plant variety protection certificates and language placed on packaging. The level of protection varies from country to country according to local laws and international agreements. We do not expect that the expiration of patents in the near future will have a material impact on our sales.

## Organizational Structure

Syngenta AG is the ultimate parent company of the Syngenta group. For a list of our subsidiary undertakings, see Note 31 to the consolidated financial statements.

## Property, Plants and Equipment

Our principal executive offices are located in Basel, Switzerland. Our businesses operate through a number of offices, research facilities and production sites.

The following is a summary of the principal establishments of Syngenta:

| Locations | Freehold/Leasehold | Approximate area (square feet) | Principal Use |
|---|---|---|---|
| Rosental, Basel, Switzerland (1) | Freehold | 838,400 | Headquarters, research |
| Dielsdorf, Switzerland | Freehold | 2,306,000 | Headquarters, marketing |
| Fernhurst, Surrey, UK | Freehold | 3,049,300 | Headquarters |
| Greensboro, North Carolina, USA | Freehold | 2,970,000 | Headquarters USA, production, research |
| St. Gabriel, Louisiana, USA | Freehold | 54,663,400 | Production |
| Jealott's Hill, Berkshire, UK | Freehold | 26,910,000 | Research Center |
| Bayport, Texas, USA | Freehold | 16,945,350 | Production |
| Monthey, Switzerland | Freehold | 12,010,000 | Production |
| Huddersfield, West Yorkshire, UK | Freehold | 10,756,200 | Production |
| Cold Creek, Texas, USA | Freehold | 9,539,900 | Production |
| Goa, India | Freehold | 8,668,000 | Production |
| Grangemouth, Falkirk, UK | Freehold | 8,000,000 | Production |
| Landskrona, Sweden (2) | Freehold | 6,610,800 | Research, production and marketing |
| Greens Bayou, Texas, USA | Freehold | 5,898,800 | Production |
| Enkhuizen, the Netherlands (2) | Freehold | 4,305,600 | Administration, research and marketing |
| Stein, Switzerland | Freehold | 1,949,990 | Research Center |
| Research Triangle Park, North Carolina, USA | Freehold | 1,195,300 | Research Center |
| Aigues-Vives, France | Freehold | 1,538,680 (3) | Production |
| Nérac, France (2) | Freehold | 1,225,800 | Production |
| Saint-Sauveur, France (2) | Freehold | 1,279,500 | Administration, research |
| Nantong, China | Leasehold | 896,264 | Production |
| Münchwilen, Switzerland | Freehold | 610,300 | Production |
| Grimsby, United Kingdom | Freehold | 181,300 | Production |
| La Jolla, California, USA | Leasehold | 80,000 (4) | Research Center |
| Kaisten, Switzerland | Freehold | 71,000 (5) | Production |

(1) Mixed use for crop protection and seeds business
(2) Establishment of seeds business
(3) Only 875,850 square feet are currently used and developed
(4) 40,000 square feet are sub-leased until December 2001
(5) Surface area of building/factory which is owned; land itself (143,000 square feet) is owned by third party

## ITEM 5 – OPERATING AND FINANCIAL REVIEW AND PROSPECTS

*The following management's discussion and analysis should be read in conjunction with "Item 3 –- Key Information – Selected Financial Data" and the consolidated financial statements. This discussion contains forward-looking statements; your attention is drawn to "Forward-Looking Statements" above.*

The consolidated financial statements and the financial information discussed below have been prepared in accordance with IAS and conform with Syngenta's accounting and disclosure policies.

Under IAS and U.S. GAAP, the transactions forming Syngenta were treated as a purchase of Zeneca agrochemicals business by Novartis agribusiness on November 13, 2000. Accordingly, the consolidated financial statements of Syngenta, for periods and dates prior to November 13, 2000, reflect the results of operations and cash flows of the businesses transferred to Syngenta by Novartis AG. For the period subsequent to November 13, 2000, the financial data presented is that of the consolidated Novartis agribusiness and Zeneca agrochemicals business.

The basis of preparation of the consolidated financial statements and the key accounting policies are discussed in Notes 1 and 2, respectively, of the consolidated financial statements. For a discussion of the significant differences between IAS and U.S. GAAP, see Note 32 to the consolidated financial statements.

Some costs which have been reflected in the consolidated financial statements are not necessarily indicative of the costs that Syngenta would have incurred had it operated as an independent, stand-alone entity for all periods presented. These costs comprise allocated Novartis corporate overhead, interest expense and income taxes. Until its combination with Zeneca agrochemicals business, Novartis agribusiness was not managed as a single strategic business entity. Instead, the two businesses were operated by separate management teams, which were coordinated with strategic management at the Novartis holding company level. Following the merger with Zeneca agrochemicals business, Syngenta is managed as a single strategic entity.

**Overview**

We conduct our business with a view towards long-term growth of profits. Such growth is largely dependent on a flow of new products and product enhancements emanating from substantial and continuing investment in research and development, manufacturing efficiency, marketing expertise and a strong distribution network. We provide our customers advice and services that go beyond the sale of our products.

Our results are affected, both positively and negatively, by, among other factors:

- general economic conditions;
- weather conditions (which can influence the demand for certain products);
- commodity crop prices; and
- exchange rate fluctuations.

Governmental measures, such as subsidies or rules regulating the areas allowed to be planted with certain crops also can have an impact on our industry. Our results are also increasingly affected by the growing importance of biotechnology to agriculture and the use of genetically modified crops.

Our largest market is Europe & AME, which accounted for 36% of consolidated sales in 2000. Also in 2000, NAFTA accounted for 35% of sales, Asia Pacific for 16% and Latin America for 13%. In 1999, prior to the merger with Zeneca agrochemicals business, our largest market was Europe & AME, which accounted for 40% of our sales. Also in 1999, NAFTA accounted for 34%, Asia Pacific for 14%, and Latin America for 12%. Sales and operating profit are weighted towards the first half of the year, primarily reflecting planting and growing cycles in the Northern hemisphere. The United States, the United Kingdom and Switzerland are our major manufacturing bases. Prior to the merger with Zeneca agrochemicals business, Switzerland was the most important manufacturing base in terms of cost base, followed by the United States.

The consolidated financial statements are presented in U.S. dollars as this is the major currency in which revenues are denominated. However, significant, but differing proportions of our revenues, costs, assets and liabilities are denominated in currencies other than U.S. dollar. Approximately 23% of sales in 2000 were denominated in euros, while a significant proportion of costs for research and development, administration and general overhead and manufacturing are denominated in Swiss francs and British pounds sterling. Marketing and distribution costs are more closely linked to the currency split of the sales. As a result, operating profit in U.S. dollars can be significantly affected by movements in exchange rates, in particular movements of the Swiss franc and the euro relative to the U.S. dollar. During 2000, the U.S. dollar appreciated against most major currencies, particularly the euro and the Swiss franc, but depreciated against the Japanese yen**.** The impact of currency movements reduced total 2000 sales by 6 percent.

Results of operations for the years 1998 to 2000 reflect the impact of the poor economic and agricultural market conditions. We believe that commodity prices should stabilize in the next few years. However, such stabilization of prices and improvement of our business environment may not actually take place because of a number of factors that we cannot control or predict, such as worsening of economic conditions generally or in particular regions.

Our crop protection segment posted mixed results in 2000. After a successful first half, crop protection sales reduced in the second half due to softening commodity crop prices. Extremely wet conditions in important winter-cropping areas of Europe contributed to this reduction. In addition, sales were deliberately constrained in Brazil and Argentina to mitigate credit risk.

Seeds had a strong year in 2000 with sales growth of seven percent in constant currency terms compared to 1999. Non-priority crop areas of the seeds business were terminated, adversely affecting profits. Positive effects of Project Focus, the restructuring program announced in 1999, strong cost control and the absence of special charges, were the main factors behind the reduction in function costs. We continued the build up of TMRI, our genomics centre in the United States.

Following the formation of Syngenta, the business embarked upon a plan to integrate and restructure the combined businesses in order to achieve cost savings. This plan involved reductions in the number of employees, integration of systems and the closure of duplicate head office, research and development and manufacturing facilities. The resulting charge to income in 2000 for this integration and restructuring was U.S.$261 million. Merger costs of U.S.$68 million were expensed in 2000. These costs (which are non-recurring) are related to the initial listing of shares on stock exchanges, including items such as legal costs, investment bankers' fees, consultancy fees and communication costs. Merger and restructuring costs are discussed in more detail later in this section. Please also refer to Notes 6 and 22 of the consolidated financial statements. The goodwill arising on the acquisition of Zeneca agrochemicals business by Novartis agribusiness was valued at U.S.$599 million. Details of this calculation, and an explanation of how it affected Syngenta's financial results, appear in Note 3 of the consolidated financial statements.

In order to obtain regulatory approval for the merger, we agreed to divest certain products and product rights. In 2000, completed divestments include the sale of the fungicide, *FLINT*®. These divestments, in the aggregate, represented approximately U.S.$125 million of sales and U.S.$49 million of operating income for the year ended December 31, 2000 and U.S.$95 million of sales and U.S.$37 million of operating income in the year ended December 31, 1999. These divestments produced a gain of U.S.$785 million in 2000.

The discussion below is based upon the consolidated financial statements of Syngenta, which have been prepared under IAS accounting rules. In these consolidated financial statements, the merger of the Novartis agribusiness with Zeneca agrochemicals business was accounted for as a purchase of Zeneca agrochemicals business by Novartis agribusiness on November 13, 2000. When reading the attached financial statements the following facts need to be considered:

- The consolidated statements of income for the 12 months ended December 31, 2000 are based mainly on the Novartis agribusiness performance, with the results of the Zeneca agrochemicals business only being included subsequent to the formation of Syngenta AG on November 13, 2000.

- These statements include income and expense related to the mandated product divestments described above.

**Results of Operations**

The following table sets forth for each of the periods indicated our selected financial data.

| | Year ended December 31, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| | (U.S.$ million) | | |
| ***Amounts in accordance with IAS*** | | | |
| **Sales** | **4,876** | **4,678** | **5,040** |
| Cost of goods sold | (2,442) | (2,367) | (2,430) |
| Gross profit | 2,434 | 2,311 | 2,610 |
| Marketing and distribution | (989) | (977) | (1,100) |
| Research and development | (537) | (488) | (466) |
| General and administrative | (364) | (330) | (333) |
| Merger and restructuring costs, net of divestments gains(1) | 456 | (67) | 15 |
| **Operating income** | **1,000** | **449** | **726** |
| Income from associates | (1) | 5 | 3 |
| Financial expense, net | (85) | (129) | (185) |
| **Income before taxes and minority interests** | **914** | **325** | **544** |
| Taxes | (340) | (185) | (240) |
| **Income before minority interest** | **574** | **140** | **304** |
| Minority interests | (10) | (5) | (5) |
| **Net income** | **564** | **135** | **299** |
| **Cash flow data** | | | |
| Cash flow from operating activities | 610 | 618 | 250 |
| Cash flow used for investing activities | 1,045 | (283) | (377) |
| Cash flow from/(used for) financing activities | (968) | (350) | 227 |
| Capital expenditures | (185) | (185) | (201) |
| ***Other supplementary income data*** | | | |
| **EBITDA(2)** | **1,312** | **713** | **967** |
| **EBITDA excluding special charges(3)** | **856** | **821** | **1,081** |
| ***Amounts in accordance with U.S. GAAP*** | | | |
| **Sales** | **4,876** | **4,678** | **5,040** |
| Net income | 180 | 64 | 169 |
| **Balance sheet data** | | | |
| Total assets | 12,826 | 7,944 | 8,727 |
| Total non-current liabilities | (2,621) | (1,175) | (1,246) |
| Equity | (4,820) | (3,491) | (3,851) |

Notes

(1) Merger and restructuring costs are comprised of U.S.$261 million, U.S.$67 million and U.S.$3 million of restructuring charges for the years ended December 31, 2000, 1999 and 1998, respectively, and U.S.$68 million of merger costs for the year ended December 31, 2000. These charges were offset by gains on disposals of U.S.$785 million and U.S.$18 million for the years ended December 31, 2000 and 1998 respectively.

(2) EBITDA is defined as earnings before interest, tax, minority interests, depreciation and amortization. We have included information concerning EBITDA because it is used by investors as one measure of an issuer's ability to service or incur indebtedness. EBITDA is not a measure of cash liquidity or financial performance under generally accepted accounting principles and our EBITDA measure may not be comparable to other similarly titled measures of other companies. EBITDA should not be construed as an alternative to operating income or to cash flow as determined in accordance with generally accepted accounting principles, or as a measure of liquidity or indicator of our performance.

(3) Special charges are material items that management does not expect to recur. In addition to the merger and restructuring costs outlined in Note (1), special charges include U.S.$41 million and U.S.$129 million of trade receivables write-downs in Latin America, Russia and Ukraine for the year-ended December 31, 1999 and 1998, respectively.

Sales by region were as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| | (U.S.$ million) | | |
| Europe & AME | 1,747 | 1,856 | 2,149 |
| NAFTA | 1,690 | 1,568 | 1,727 |
| Latin America | 641 | 576 | 603 |
| Asia Pacific | 798 | 678 | 561 |
| **Total** | **4,876** | **4,678** | **5,040** |

We are organized on a worldwide basis into two operating segments, crop protection and seeds. The following tables set out our sales and operating income by segment for each of the periods indicated. The corporate and other expenses as detailed below primarily contain central costs allocated from Novartis. Although this allocation will not continue to be charged to Syngenta, we will have to pay for our own corporate services.

| | Year ended December 31, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| | (U.S.$ million) | | |
| **Sales** | | | |
| Crop protection | 3,918 | 3,728 | 4,037 |
| Seeds | 958 | 950 | 1,003 |
| **Total** | **4,876** | **4,678** | **5,040** |
| **Operating Income** | | | |
| Crop protection | 1,256 | 575 | 757 |
| Seeds | 19 | 35 | 80 |
| Corporate and other expenses | (275) | (161) | (111) |
| **Total** | **1,000** | **449** | **726** |

## 2000 Compared to 1999

### *Sales*

Total Syngenta sales for 2000 were U.S.$4,876 million, an increase of 4% from 1999 when we reported total sales of U.S.$4,678 million. Our combination with Zeneca agrochemicals business on November 13, 2000 contributed U.S.$301 million to our 2000 sales. Including sales of Zeneca agrochemicals business, on a constant currency basis, total Syngenta sales increased by 10%. Excluding sales from Zeneca agrochemicals business, total sales decreased by 2% from 1999 to U.S.$4,575 million, representing an increase of 3% on a constant currency basis.

***Crop Protection***

| | Sales | | | |
|---|---|---|---|---|
| | Year ended December 31, | | % variance | |
| | 2000 | 1999 | | |
| | (U.S.$ million) | | *(actual)* | *(constant currency)* |
| Selective herbicides | 1,597 | 1,641 | *(3)* | *2* |
| Non-selective herbicides | 89 | 8 | - | - |
| Fungicides | 998 | 910 | *10* | *17* |
| Insecticides | 753 | 652 | *16* | *20* |
| Professional products | 365 | 372 | *(2)* | *2* |
| Others | 116 | 145 | *(20)* | *(12)* |
| **Total** | **3,918** | **3,728** | *5* | *11* |

*The following comments on sales are based on constant currency.*

After a strong first half, there was a softening in commodity prices from mid-year. Nevertheless, full year sales grew by 11%. Excluding sales by Zeneca agrochemicals business, full year sales increased by 2%. Sales in Europe & AME were adversely affected by the extremely wet conditions in the important winter-cropping areas. Despite good sales growth in the first half of the year, sales in Latin America were weak in the second half, partly due to our policy to deliberately constrain sales in Brazil and Argentina in order to mitigate credit risk. Overall sales in Asia Pacific were favorable, however, there were mixed results within the region. Conditions for cotton planting in Australia were less favorable than in 1999, whereas, Syngenta achieved favourable growth in India and Japan. In NAFTA we took advantage of an early spring and favorable conditions.

Our selective herbicide products delivered a solid performance in a difficult market. Lower *atrazine* sales were counterbalanced by sales of *TOPIC*® which continued its previous growth. Major regions for growth were Latin America and Asia Pacific. Sales of non-selective herbicides have increased as a result of the merger with Zeneca agrochemicals business in November 2000.

Fungicide sales were driven by broad-based growth across the portfolio of fungicide products. Overall sales in 2000 increased by 17%, partly due to the acquisition of Zeneca agrochemicals business which added 10% to the total growth. Growth in the *UNIX*® line and the *SCORE*® line of products contributed strongly to fungicide sales results.

In the insecticide market, growth of the recently launched products *ACTARA*®, particularly in Latin America, and *PROCLAIM*®, largely in Asia, made a significant contribution to our results. *VERTIMEC*® maintained its leading position in the worldwide acaricide market.

Sales growth of professional products in the first half was more than offset by reduced sales in the second half due to lower acreages and product phase-outs. In turf and ornamentals, sales growth in the United States, the largest market for these products, continued largely because of strong sales performance from various products including diazinon and prodiamin and was strongly assisted by the inclusion of HERITAGE® from the Zeneca agrochemicals business. Additional registrations for *CRUISER*® seed treatment supported increased sales in Latin America.

***Seeds***

| | Sales | | | |
|---|---|---|---|---|
| | Year ended December 31, | | % variance | |
| | 2000 | 1999 | | |
| | (U.S.$ million) | | *(actual)* | *(constant currency)* |
| Field crops | 552 | 540 | *2* | *8* |
| Vegetables and flowers | 406 | 410 | *(1)* | *5* |
| **Total** | **958** | **950** | *1* | *7* |

*The following comments on sales are based on constant currency*

Overall seeds brand sales increased by 7% to U.S.$958 million. Field crop sales increased by 8% compared to the previous year. This sales growth was driven mainly by the success of the product offering in NK® corn across all regions. New variety launches in Europe & AME, the test marketing of the *PROSHIELD*™ technology in NAFTA and subtropical corn hybrids in Brazil were particularly successful. Sales of NK® brand soybean in NAFTA and NK® brand winter oilseed rape in Europe & AME were also strong. In Europe & AME, HILLESHÖG® brand sugar beet sales were lower but NK® brand sunflower sales increased despite difficult market conditions.

Vegetables and flowers achieved a sales growth of 5% compared to 1999. In ROGERS® and S&G® brand vegetables, growth was achieved through new product launches and focused marketing activities in tomato, sweet pepper, melon and cauliflower. Vegetable sales in NAFTA decreased due to difficult market conditions but favorable performances in the region were achieved in fresh tomato and melon. Gains were also made in India, China and Latin America. In S&G® brand flowers, growth was achieved in NAFTA and there were notable successes in Australia and Latin America where new distribution activities have been initiated. The launch of an innovative new X-tray young plants container was successfully implemented in Europe.

***Operating Income***

Unless stated otherwise, the following discussion is based on operating income excluding special charges, which was as follows:

**Operating income excluding special charges**

| | Year ended December 31, 2000 | 1999 | *% variance* |
|---|---|---|---|
| | (U.S.$ million) | | *(actual)* |
| Crop protection | 714 | 676 | *6* |
| Seeds | 19 | 42 | *(55)* |
| Corporate and other expenses | (189) | (161) | *(17)* |
| **Total** | **544** | **557** | ***(2)*** |

***Crop Protection***

**Operating income 2000 versus 1999**

| | Excluding special charges 2000 | 1999 | *% variance* | Special charges 2000 | 1999 | Total 2000 | 1999 | *% variance* |
|---|---|---|---|---|---|---|---|---|
| | (U.S.$ million) | | (*actual*) | (U.S.$ million) | | (U.S.$ million) | | (*actual*) |
| Sales | 3918 | 3728 | *5* | — | — | 3918 | 3728 | *5* |
| Cost of goods sold | (1946) | (1875) | *(4)* | — | — | (1946) | (1875) | *(4)* |
| Gross profit | 1972 | 1853 | *6* | — | — | 1972 | 1853 | *6* |
| *as a percentage of sales* | *50.3* | *49.7* | | — | — | *50.3* | *49.7* | |
| Marketing and distribution | (754) | (699) | *(8)* | | (41) | (754) | (740) | *(2)* |
| Research and development | (312) | (303) | *(3)* | | — | (312) | (303) | *(3)* |
| General and administrative | (192) | *(175)* | *(10)* | — | — | (192) | (175) | *(10)* |
| Merger and restructuring costs, net of divestment gains | — | — | — | 542 | (60) | 542 | (60) | — |
| **Operating income** | **714** | **676** | ***6*** | **542** | **(101)** | **1256** | **575** | ***118*** |
| *as a percentage of sales* | *18.2* | *18.1* | | | | *32.1* | *15.4* | |

As a percentage of sales, gross profit increased to 50.3% from 49.7%. This increase reflects our successful effort in the crop protection business to streamline the portfolio and focus on higher margin products. Operating income increased by 6% in 2000 to U.S.$714 million. The main reasons were higher sales and a shift towards higher margin products.

Special charges are material items that management does not expect to recur. The special charge in 2000 was a net gain of U.S.$542 million arising from a combination of gains on mandated divestments of U.S.$785 million, net of restructuring costs relating to our combination with Zeneca agrochemicals business of U.S.$243 million. The restructuring program and relating costs are discussed in more detail later in this section. The special charge in 1999 within general and administrative overhead of U.S.$60 million is linked to Project Focus, the restructuring program announced in 1999. This charge is comprised of employee termination costs of U.S.$35 million, other third party costs of U.S.$14 million and fixed asset impairments of U.S.$11 million. The special charge in 1999 within marketing and distribution of U.S.$41 million was due to bad debt write-offs and additional discounts to encourage payments of accounts receivable incurred in connection with the worsening economic climate in Brazil, Russia and Ukraine.

Marketing and distribution expenses increased in 2000 by 8% to U.S.$754 million. The merger with Zeneca agrochemicals business added 11% to the total cost for 2000. Excluding the costs from Zeneca agrochemicals business, marketing and distribution costs decreased by 4%. This is a direct result of strict cost control. Marketing and distribution expenses as a percentage of sales remained flat at 19%.

Research and development expenses increased by 3% in 2000 to U.S.$312 million. Excluding the research and development costs of the Zeneca agrochemicals business these costs were reduced by 9% compared to 1999. The acquisition of the Zeneca agrochemicals business introduced an additional U.S.$35 million of costs, or 11%. As a percentage of sales, research and development remained flat at 8%.

General and administrative overheads increased by 10% in 2000 to U.S.$192 million. The acquisition of Zeneca agrochemicals business contributed U.S.$21 million of the increase. As a percentage of sales, general and administrative overhead remained flat at 5%. These costs went up due to an increase in environmental remediation provisions following new requirements for remediation action at certain landfill sites in the region of Basel, Switzerland, and due to changes in estimates for remediation in connection with sites in Portugal and the United States. These charges were substantially offset by a gain on disposal of a property in Brazil. Numerous smaller items such as new information technology related activities, increased goodwill amortization, recognition of a U.S.$6 million provision for product liability settlements and establishment of new legal entities also contributed to the increase. Further details on environmental provisions are given in Note 28 of the consolidated financial statements.

***Seeds***

| Operating income 2000 versus 1999 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Excluding special charges** | | | **Special charges** | | **Total** | | |
| | **2000** | **1999** | ***% variance*** | **2000** | **1999** | **2000** | **1999** | ***% variance*** |
| | **(U.S.$ million)** | | **(actual)** | **(U.S.$ million)** | | **(U.S.$ million)** | | **(actual)** |
| Sales | 958 | 950 | *1* | — | — | 958 | 950 | *1* |
| Cost of goods sold | (496) | (492) | *(1)* | — | — | (496) | (492) | *(1)* |
| Gross profit | 462 | 458 | *1* | — | — | 462 | 458 | *1* |
| *as a percentage of sales* | *48.2* | *48.2* | | | | *48.2* | *48.2* | |
| Marketing and distribution | (235) | (237) | *1* | — | — | (235) | (237) | *1* |
| Research and development | (103) | (117) | *12* | — | — | (103) | (117) | *12* |
| General and administrative | (105) | (62) | *(69)* | — | — | (105) | (62) | *(69)* |
| Merger and restructuring costs, net of divestment gains | — | — | — | — | (7) | — | (7) | *100* |
| **Operating income** | **19** | **42** | ***(55)*** | — | **(7)** | **19** | **35** | ***(46)*** |
| *as a percentage of sales* | *2.0* | *4.4* | | | | *2.0* | *3.7* | |

Operating income decreased by 55% in 2000 to U.S.$19 million. This was mainly due to the significant increase in general and administrative expenses relating to the withdrawal from the sorghum business and the implementation of global systems. Overall gross profit increased by 0.9%, from U.S.$458 million in 1999 to U.S.$462 million in 2000, due to higher sales in the field crops product line related to corn, soybeans and sunflowers, and high growth in the vegetable and flowers product lines.

Marketing and distribution expenses decreased by 1% to U.S.$235 million. While Project Focus resulted in savings in mature markets, these cost reductions were substantially offset by our continued efforts to build our markets in Latin America and the Asia Pacific region, as well as investments in new supply and distribution network for vegetables.

The overall decrease in research and development expenses of 12% to U.S.$103 million for the year resulted from the appreciation of the U.S. dollar against the Swiss franc and positive impacts of Project Focus. As a percentage of sales, research and development costs reduced from 12.3% to 10.8%.

General and administrative expenses increased by 69% to U.S.$105 million in 2000. This is a result of the division's three year investment in new information technology capabilities and the relating costs which were not eligible for capitalization. The implementation of a global SAP system was completed in the largest countries as well as development of a new product development testing system and numerous e-business systems.

*Corporate and other expenses*

Corporate and other expenses include principally:

- general and administrative overhead costs, both directly incurred by Syngenta and the cost of central functions allocated from Novartis, which were U.S.$67 million in 2000 as compared with U.S.$71 million in 1999, a decrease of 6%;

- corporate research and development related to biotechnology increased 79% (U.S.$54 million) to U.S.$122 million compared to U.S.$68 million in 1999, mainly due to increased expenditure at the TMRI, our genomics centre in the United States, but also as a result of the acquisition of Zeneca agrochemicals business which added U.S.$15 million of additional costs.

- special charges of U.S.$86 million were charged to corporate in 2000. This charge relates to merger and restructuring work and forms part of the total charge of U.S.$329 million which is discussed below.

*Merger and restructuring programs*

Following the formation of Syngenta on November 13, 2000 the business embarked upon a plan to integrate and restructure the combined businesses in order to achieve synergies. A series of restructuring programs were announced in 2000. A charge of U.S.$329 million has been taken as an expense in 2000. This charge comprised U.S.$128 million for employee termination costs and U.S.$201 million for other third party costs. Costs for employee severance relate to the elimination of approximately 1,000 jobs.

Further restructing costs are expected to be incurred over the next two years as the business continues this integration and restructuring work. The exact timing of the related income statement charges has not been determined based upon the accounting requirements that must be met.

Taken together, we expect that these restructuring actions will result in annual cost savings of U.S.$525 million per annum beginning in 2003. For 2001, the expected cost savings are U.S.$90 million. Based upon our internal synergy tracking to date, we believe that we will achieve these cost savings as planned.

We estimate one-time restrucuring charges associated with the U.S.$525 million annual savings to be U.S.$900 million, comprising U.S.$750 million restructuring costs and U.S.$150 million merger costs.

***Financial Expense, Net***

Financial expense decreased by U.S.$44 million in 2000 as compared to 1999, a decrease of 34%. This decrease is mainly due to the increase in interest income from U.S.$5 million in 1999 to U.S.$43 million in 2000, as a result of significant movements in the net debt position during the last two months of 2000. Movements in the exchange rates between the U.S. dollar, the Swiss franc and the British pound sterling were the principal cause of currency gains of U.S.$45 million in 2000 compared to gains of U.S.$38 million in 1999.

***Taxes***

Following the demerger of the two businesses from their parents and the incomplete tax restructuring of Syngenta and after eliminating certain one-off items associated with the separation, it is estimated that the underlying tax rate for 2000, before special charges and gains, was 48%. Of this 48%, 3% is due to the non-deductibility of goodwill amortization associated with the acquisition accounting for Zeneca agrochemicals. The 37% tax charge in the audited financial statements benefits from the effect of tax-efficient divestments.

***Net Income***

Net income as a percentage of total sales was 11.6% in 2000 compared to 2.9% in 1999. This increase is primarily due to gains on product divestments mandated by the competition authorities prior to the acquisition of Zeneca agrochemicals business.

***Other Supplementary Income Data***

EBITDA increased 84% from U.S.$713 million in 1999 to U.S.$1,312 million in 2000. EBITDA as a percentage of sales increased from 15.2% in 1999 to 26.9% in 2000, substantially as a result of special gains related to mandated divestments. EBITDA excluding special charges increased to U.S.$856 million in 2000 from U.S.$821 million in 1999. As a percentage of sales, EBITDA excluding special charges, remained steady at 17.6%, the level attained in 1999.

**1999 Compared to 1998**

***Sales***

Total Syngenta sales decreased by 7% in U.S. dollars, or 6% in constant currency terms to U.S.$4,678 million in 1999 from U.S.$5,040 million in 1998. The decline was primarily caused by difficult market conditions, particularly weak farm economies, price pressure on our products, the introduction of strobilurin fungicides by competitors, acreage reductions, and the increased use of farm-saved soybean seed. Sales declined in the United States as well as in Europe, while they were increasing in Asia Pacific. The economic crises in Brazil, Russia and Ukraine continued, resulting in a decrease in sales in these countries. In crop protection, sales of herbicides were negatively affected by the unfavorable market environment, while sales of fungicides met with strong competition from the strobilurins. Sales of insecticides remained stable while professional product sales increased. In seeds, corn sales were negatively affected by price pressure and acreage reductions, and sales of soybeans by increased use of farm-saved soybean seed. Sales expanded for sugarbeet, vegetables, flower seed, winter oilseed rape and sunflowers.

***Crop Protection***

| | Sales | | | |
|---|---|---|---|---|
| | Year ended December 31, | | % variance | |
| | **1999** | **1998** | | |
| | **(U.S.$ million)** | | ***(actual)*** | ***(constant currency)*** |
| Selective herbicides | 1,641 | 1,821 | *(10)* | *(8)* |
| Non-selective herbicides | 8 | 9 | *(11)* | *(9)* |
| Fungicides | 910 | 1,037 | *(12)* | *(11)* |
| Insecticides | 652 | 643 | *1* | — |
| Professional products | 372 | 370 | *1* | *1* |
| Others | 145 | 157 | *(8)* | *(5)* |
| **Total** | **3,728** | **4,037** | *(8)* | *(7)* |

*The following comments on sales are based on constant currency.*

Total sales decreased in 1999 by 7% to U.S.$3,728 million. This decrease was primarily due to lower sales in Europe and in NAFTA. In the United States, sales were negatively affected by the continuing weakness of farm economies. In Europe, set-aside acreage increased from 5% to 10% and, combined with continuing weakness of farm economies and strong competition from the new strobilurin fungicides, contributed to a decrease in sales. The business had good sales growth throughout Asia Pacific, whereas economic crises led to reduced sales in Brazil, Russia and especially Ukraine. The business had a net positive acquisition effect of 2% due to the acquisition of Oriental Chemical Industries, a South Korean company, in September 1998 and the consolidation of Tomono Agrica K.K. as of August 1999, along with the divestment of SDS Biotech K.K. at the end of April 1998.

The important corn herbicide business faced difficult market conditions and selective herbicide sales declined by 8%. Acreage reductions and growers cutting the use rate due to low commodity prices, combined with intense price competition, led to this result. On the positive side, the business has had continued growth in sales of clodinafop.

Syngenta's fungicide business was negatively impacted by the introduction of new strobilurins by competitors, weak farm income and increased set-aside acreage in Europe. Consequently, sales declined by 11%. All major products, with the exception of *SCORE*®, had declining sales. The sales of *SCORE*® (difenoconazole) grew substantially after the United States approved new tolerance levels of the product for banana imports, allowing banana growers who use this product to export their bananas to the United States. The product was also repositioned for use on rice.

Sales of insecticides remained substantially unchanged from last year's level. Low cotton acreage, absence of pest pressure in the cotton business in California, and a declining use on citrus in Brazil negatively affected abamectin sales (*VERTIMEC*®*/AGRIMEK*®), but these effects were partially offset by good growth in Asia Pacific. *ACTARA*® was launched in Latin America and parts of Asia; *CHESS*®*/PLENUM*® was introduced in many Asian countries and *PROCLAIM*®*/AFFIRM*® was introduced in the United States. Sales of these products increased strongly.

Sales of professional products increased by 1%. Sales of turf and ornamentals products increased significantly. The business had record sales of the fungicide *BANNER*®, the growth regulator *PRIMO*® and the insecticide DZN (Diazonin). Turnover of seed treatment products declined due to much lower sales in Russia and Ukraine and lower sales in the United States. We launched the seed treatment insecticide *CRUISER*® in Latin America. Fludioxonil-based products, like the business's leading cereals seed treatment *AUSTRAL PLUS*®, showed good growth.

***Seeds***

| | Sales | | | |
|---|---|---|---|---|
| | Year ended December 31, | | % variance | |
| | **1999** | **1998** | | |
| | **(U.S.$ million)** | | ***(actual)*** | ***(constant currency)*** |
| Field crops | 540 | 620 | *(13)* | *(11)* |
| Vegetables and flowers | 410 | 383 | *7* | *8* |
| **Total** | **950** | **1,003** | ***(5)*** | ***(4)*** |

*The following comments on sales are based on constant currency.*

Sales decreased by 4% in 1999 to U.S.$950 million. This decline was mainly related to field crops, which experienced difficult market conditions due to weak farm economies. Small acquisitions did not have a material impact on Syngenta results. Major corn acreage reductions in Europe, a flat market for genetically modified corn and price pressure in NAFTA impacted corn sales negatively. Soybean sales were negatively affected by increased use of farm-saved seeds. Good sales growth in corn was achieved mainly in Brazil. The business increased market position in sugarbeet in most of the Western European markets but had reduced sales in Eastern Europe. Continued growth was achieved in sunflowers and oilseed rape, mainly in Europe.

Vegetables and flowers achieved sales growth of 8% in 1999, which was higher than overall market growth. This was due to competitive germplasm in several crops such as pepper, melon, watermelon and sweetcorn in NAFTA and Europe and increased marketing activities. The business achieved significant sales growth in the flowers business in Europe, NAFTA and Asia Pacific.

*__Operating Income__*

Operating income including special charges from the total agribusiness, including crop protection, seeds and corporate and other expenses declined to 9.6% of sales in 1999, down from 14.4% in 1998 due to price pressure and reduced volumes. Operating income excluding special charges declined from 16.7% in 1998 to 11.9% in 1999.

Unless explicitly stated otherwise, the following discussion is based on operating income excluding special charges, which was as follows:

| Operating income excluding special charges | | | |
|---|---|---|---|
| | Year ended December 31, | | |
| | 1999 | 1998 | % variance |
| | (U.S.$ million) | | (actual) |
| Crop protection | 676 | 871 | (22) |
| Seeds | 42 | 80 | (48) |
| Corporate and other expenses | (161) | (111) | (45) |
| **Total** | **557** | **840** | **(34)** |

*__Crop Protection__*

| Operating income 1999 versus 1998 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Excluding special charges | | | Special charges | | Total | | |
| | 1999 | 1998 | % variance | 1999 | 1998 | 1999 | 1998 | % variance |
| | (U.S.$ million) | | (actual) | (U.S.$ million) | | (U.S.$ million) | | (actual) |
| Sales | 3,728 | 4,037 | (8) | — | — | 3,728 | 4,037 | (8) |
| Cost of goods sold | (1,875) | (1,916) | 2 | — | — | (1,875) | (1,916) | 2 |
| Gross profit | 1,853 | 2,121 | (13) | — | — | 1,853 | 2,121 | (13) |
| *as a percentage of sales* | *49.7* | *52.5* | | | | *49.7* | *52.5* | |
| Marketing and distribution | (699) | (729) | 4 | (41) | (129) | (740) | (858) | 14 |
| Research and development | (303) | (333) | 9 | — | — | (303) | (333) | 9 |
| General and administrative | (175) | (188) | 7 | (60) | 15 | (235) | (173) | (36) |
| **Operating income** | **676** | **871** | **(22)** | **(101)** | **(114)** | **575** | **757** | **(24)** |
| *as a percentage of sales* | *18.1* | *21.6* | | | | *15.4* | *18.8* | |

Operating income excluding special charges decreased by 22% to U.S.$676 million in 1999 from U.S.$871 million in 1998. Special charges are material items that management does not expect to recur. Operating income margin dropped to 18.1% from 21.6% in 1998. The main reasons were lower sales and lower production capacity utilization.

In 1998, the U.S.$129 million of special charges in marketing and distribution were due to bad debt write-offs and additional discounts to encourage payments of accounts receivable incurred in connection with the worsening economic climate in Brazil, Russia and Ukraine. An additional related charge of U.S.$41 million in respect of these countries occurred in 1999 based on the effects of these underlying economic events. The special charge in 1999 within general and administrative expenses of U.S.$60 million for Project Focus compares to a one-time gain of U.S.$18 million due to the sale of SDS Biotech K.K. of Japan net of an additional restructuring charge of U.S.$3 million relating to the 1997 restructuring plan, in 1998. The special charges for Project Focus are comprised of employee termination costs of U.S.$35 million, other third party costs of U.S.$14 million and fixed asset impairments of U.S.$11 million. Approximately 1,000 production, administration and sales employees were identified in the original plan, of which approximately 400 had left Novartis crop protection as of December 31, 1999. Fixed asset impairments represent the write-off of the carrying value of manufacturing facilities in Europe and Asia Pacific based on the closure of those facilities. All significant actions associated with this project are expected to be completed by June 30, 2001. Cost savings of U.S.$60 million per annum are expected upon completion of the project.

As a percentage of sales, cost of goods sold increased to 50.3% in 1999 up from 47.5% in the previous year. This increase reflected primarily lower production capacity utilization of 1%, and provisions for slow moving inventory of 0.4%, compounded by changes in sales price, product mix and cost changes.

Marketing and distribution expense excluding special charges decreased 4% to U.S.$699 million in 1999 from U.S.$729 million in 1998. The decrease in marketing and distribution expenses was primarily due to improved cost control, a positive currency effect, and lower variable sales costs linked to the decline in sales. As a percentage of sales, marketing and distribution expenses increased to 18.8% in 1999 from 18.1% in 1998.

As a percentage of sales, research and development expense decreased slightly to 8.1% from 8.2% in 1998. The appreciation of the U.S. dollar against the Swiss franc (a significant portion of Syngenta research and development expenses are in Swiss francs) and an improved project portfolio management focusing on key projects, were the main reasons for this decrease.

Investment in research and development, although decreasing, remained high in order to support and to prepare the launch of new products and the insecticide *ACTARA®/CRUISER®* and to build further on new technologies.

General and administrative expenses excluding special charges decreased by 7% to U.S.$175 million in 1999 from U.S.$188 million in 1998. As a percentage of sales general and administrative expenses remained at 4.7%. Two percentage points of this increase represents amortization of intangible assets, which increased to U.S.$75 million from U.S.$71 million in 1998.

***Seeds***

**Operating income 1999 versus 1998**

| | Excluding special charges | | | Special charges | | Total | | |
|---|---|---|---|---|---|---|---|---|
| | **1999** | **1998** | ***% variance*** | **1999** | **1998** | **1999** | **1998** | ***% variance*** |
| | **(U.S.$ million)** | | **(actual)** | **(U.S.$ million)** | | **(U.S.$ million)** | | **(actual)** |
| Sales | 950 | 1,003 | *(5)* | — | — | 950 | 1,003 | *(5)* |
| Cost of goods sold | (492) | (514) | *4* | — | — | (492) | (514) | *4* |
| Gross profit | 458 | 489 | *(6)* | — | — | 458 | 489 | *(6)* |
| *as a percentage of sales* | *48.2* | *48.8* | | | | *48.2* | *48.8* | |
| Marketing and distribution | (237) | (242) | *2* | — | — | (237) | (242) | *2* |
| Research and development | (117) | (106) | *(10)* | — | — | (117) | (106) | *(10)* |
| General and administrative | *(62)* | *(61)* | *(2)* | (7) | — | (69) | (61) | ***(13)*** |
| **Operating income** | **42** | **80** | ***(48)*** | **(7)** | — | **35** | **80** | ***(56)*** |
| *as a percentage of sales* | *4.4* | *8.0* | | | | *3.7* | *8.0* | |

Operating income excluding special charges decreased by 48% to U.S.$42 million in 1999 from U.S.$80 million in 1998. The decrease resulted primarily from the lower sales in the field crops business related to corn and soybeans coupled with a margin erosion in corn due to weakness in farm economies and competition. A significant portion of the decline in operating income resulted from the additional research and development spending.

A special charge of U.S.$7 million related to Project Focus restructuring measures was recorded in 1999 in administration and general overhead. The charges are comprised of employee termination costs of U.S.$6 million and other third party costs of U.S.$1 million. Approximately 100 production, administration and sales employees were identified in the original plan, of which approximately 50 had left Novartis seeds as of December 31, 1999. All significant actions associated with this project are expected to be completed by June 30, 2001. Cost savings of U.S.$7 million per annum are expected to be realized upon completion of this project.

Marketing and distribution expenses decreased by 2% to U.S.$237 million in 1999, mainly due to savings in NAFTA, partially offset by continued investments in the emerging markets in Asia Pacific. As a percentage of sales, marketing and distribution expenses increased to 24.9% from 24.1% in 1998.

Research and development expenses increased by 10% to U.S.$117 million from U.S.$106 million in 1998. As a percentage of sales, research and development expenses increased to 12.3% compared to 10.6% in 1998. This increase was mainly due to investments in new breeding techniques like marker-assisted breeding as well as regulatory compliance work.

General and administrative expenses increased by 2% to U.S.$62 million in 1999 from U.S.$61 million in 1998. This is 6.5% of sales compared with 6.1% in 1998. The increase was mainly due to the implementation of a global SAP system to integrate the supply chain.

*Corporate and other expenses*

Corporate and other expenses include principally:

- general and administrative expenses, both directly incurred by Syngenta and the cost of central functions allocated from Novartis, were U.S.$71 million in 1999 compared to U.S.$62 million in 1998;
- corporate research and development related to biotechnology increased by U.S.$41 million to U.S.$68 million in 1999 compared to U.S.$27 million in 1998, due to increased expenditure at TMRI; and
- litigation and settlement expenses of U.S.$22 million in both 1999 and 1998 in order to obtain freedom to operate in biotechnology. This cost related to our involvement in patent infringement litigation related to our defense of intellectual property rights in biotechnology and patent interference procedures before the U.S. Patent and Trademark Office. Expenses included attorneys fees, expert witnesses and similar litigation disbursements, as well as a settlement payment in 1999.

### *Financial Expense, Net*

Financial expense decreased by U.S.$56 million in 1999 as compared to 1998. This decrease is mainly due to variances in the currency exchange rate between the U.S. dollar and the Swiss franc which was 1.60 and 1.38 as of December 31, 1999 and 1998, respectively. This resulted in currency gains of U.S.$38 million in 1999 compared to currency losses of U.S.$27 million in 1998 on U.S. dollar denominated accounts receivable held by Swiss entities. This year over year currency gain of U.S.$65 million was partially offset by an increase of U.S.$8 million in interest expense due to an increase in interest rates.

### *Taxes*

Tax expenses in 1999 decreased by U.S.$55 million over the previous year. The decrease resulted primarily from a corresponding decrease in profits. The effective tax rate increased to 56.9% in 1999 from 44.1% in 1998. This increase in the effective tax rate was primarily due to non-recognition of tax benefits for losses of U.S.$81 million incurred in certain subsidiaries. Tax benefits for loss-making operations were not recognized where their realization was considered to be unlikely. This increase was partly offset by lower taxable income and hence lower taxes in the United States. Excluding the non-recognition of tax benefits for net operating losses, the underlying tax rate was approximately 32%.

### *Net Income*

Net income as a percentage of total sales amounted to 2.9% in 1999 compared to 5.9% in 1998.

### *Other Supplementary Income Data*

EBITDA decreased to U.S.$713 million from U.S.$967 million in 1998. EBITDA as a percentage of sales decreased from 19.2% in 1998 to 15.2% in 1999. EBITDA excluding special charges, decreased to U.S.$821 million in 1999 from U.S.$1,081 million in 1998. As a percentage of sales EBITDA excluding special charges decreased from 21.4% in 1998 to 17.6% in 1999.

## Liquidity and Capital Resources

The business's principal sources of liquidity consist of cash generated from operations and third party debt available through credit facilities. We reported cash and cash equivalents on December 31, 2000, 1999 and 1998 of U.S.$756 million, U.S.$111 million and U.S.$125 million, respectively. At December 31, 2000, 1999 and 1998, we had current financial debts of U.S.$3,085 million, U.S.$2,221 million and U.S.$2,433 million, respectively, and non-current financial debts of U.S.$100 million, U.S.$80 million and U.S.$77 million, respectively.

### *Credit Facilities*

Funds for Syngenta's working capital needs and the repayment of debt and equity financing to Novartis and AstraZeneca were made available from two committed revolving multi-currency credit facilities totaling U.S.$6 billion: a Syndicated Facility of U.S.$4.5 billion and a Club Facility of U.S.$1.5 billion. The company's policy is to maintain a high degree of flexibility in its funding process by using a broad variety of currencies depending on market conditions. As of December 31, 2000, Syngenta had utilized U.S.$2.3 billion under these credit facilities, leaving U.S.$3.7 billion available for future requirements. The cost of borrowing from these facilities is related to the cost of borrowing on the London and European inter-bank markets. The management of the company is of the opinion that the funding available to it from these sources will be sufficient to satisfy its working capital and debt service requirements for the foreseeable future. Syngenta is currently reviewing opportunities to replace a proportion of its funding needs in the international debt capital markets.

The company is not currently subject to any commitment for capital expenditures which individually is material to the company.

### *Financial Results*

The following table sets forth certain information about the cash flow for each of the periods indicated.

| | Year ended December 31, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| | (U.S.$ million) | | |
| Cash flow from operating activities | 610 | 618 | 250 |
| Cash flow used for investing activities | 1045 | (283) | (377) |
| Cash flow from/(used for) financing activities | (968) | (350) | 227 |

*Cash Flow from Operating Activities*

In 2000, cash flow from operating activities totaled U.S.$610 million, a decrease of U.S.$8 million compared to 1999. This decrease reflects higher cash payments for working capital purposes, including payments for restructuring actions, net of increased cash flows from improved operating performance in 2000.

In 1999, cash flow from operations totaled U.S.$618 million, an increase of U.S.$368 million compared to 1998. This was mainly due to cash in-flows of U.S.$382 million due to reductions in net working capital, especially inventories. In 1999 restructuring payments totaled U.S.$48 million, which was U.S.$42 million less than 1998.

Cash flow before working capital changes in 1999, at U.S.$457 million was only U.S.$56 million less than in 1998 even though 1999 net income of U.S.$135 million was U.S.$164 million less than 1998. The principal reason for this is that the 1999 net income was affected by U.S.$64 million of additional non-cash restructuring charges.

*Cash Flow from/(used for) Investing Activities*

In 2000, cash flow from investing activities totalled U.S.$1,045 million, an increase of U.S.$1,328 million compared to 1999. This increase is related primarily to the proceeds from divested assets of U.S.$825 million and to cash in-flows of U.S.$387 million from business acquisitions, as compared to cash expenditures of U.S.$39 million in the prior year. The divestment proceeds relate to the sale of product rights and related net assets for the fungicide, *FLINT*®, as mandated by competition authorities. The net cash flow resulting from business acquisitions in 2000 represents Zeneca agrochemicals business' cash balance at the at the merger date of U.S.$417 million, less U.S.$30 million in direct acquisition costs.

We continue to make investments in the form of new and improved property, plant and equipment. Capital expenditures for the years ended December 31, 2000, 1999 and 1998 were U.S.$185 million, U.S.$185 million and U.S.$201 million, respectively.

Cash flow used for investing activities declined by U.S.$94 million in 1999, compared to 1998, to U.S.$283 million. The principal reasons for the decline were that U.S.$122 million less was spent on acquisitions of businesses in 1999 compared to 1998, and U.S.$28 million of additional proceeds were received from disposing of intangible and financial assets.

*Cash Flow from/(used for) Financing Activities*

In 2000, cash flow used for financing activities increased by U.S.$618 million to U.S.$968 million. This increase was driven by the repayment of debt and equity financing formerly provided to Novartis agribusiness and Zeneca agrochemicals business by Novartis and AstraZeneca, respectively. In addition, we repurchased approximately 9.99% of our outstanding common stock immediately following the listing of Syngenta shares at a total cost of U.S.$524 million. These uses of cash were partially offset by borrowings from our new credit facilities, which are described above.

In 1999 cash flow used for financing activities totaled U.S.$350 million compared to a cash in-flow from financing activities in 1998 of U.S.$227 million. This is principally because U.S.$321 million of Novartis interest-bearing debt was repaid in 1999. In 1998, U.S.$173 million in financing was provided to us by Novartis.

***Research and Development***

With major research centers in Basel, Switzerland; Jealott's Hill, England; Torrey Mesa Research Institute ("TMRI"), California; and Syngenta Agribusiness Biotechnology Research, Inc. ("SABRI") at Research Triangle Park in North Carolina, Syngenta's research and development is focused on effective and environmentally friendly crop protection solutions suitable for integrated crop management and innovative application of biotechnology to improve research efficiency. Total spent on R&D was U.S.$537 million in 2000, U.S.$488 million in 1999 and U.S.$466 million in 1998. Within crop protection, Syngenta invested U.S.$312 million in 2000, U.S.$303 million in 1999 and U.S.$333 million in 1998. The merger with Zeneca agrochemicals business added U.S.$35 million of research and development costs in 2000. Within seeds the amount spent on research and development was U.S.$103 million in 2000, U.S.$117 million in 1999 and U.S.$106 million in 1998.

Although traditionally crop protection and seeds have pursued research and development efforts independently, as demand grows for integrated crop solutions, research goals, like marketing systems, converge. Accordingly, we are conducting research that we expect will benefit both crop protection and seeds products. Basic research expenses of U.S.$122 million in 2000, U.S.$68 million in 1999 and U.S.$27 million in 1998 are accounted for under Corporate and other expenses. To this end, we operate three advanced centers for biological research: Jealott's Hill in England and TMRI and SABRI, both in the United States. These organizations are dedicated to solving problems using the latest discoveries in agricultural genomics and biotechnology.

We are continuously improving the research process, building on well established platforms in chemistry, biology and biotechnology. Novel tools, methods and information services allow us to evaluate a greater range of diverse chemicals more quickly and efficiently than ever before. We perform an extensive investigation of all safety aspects involving many tests to ensure the safety of our products. The human safety assessments address potential risks to both the users of the product and the consumers of food and feed, while in environmental safety we seek assurance that the product will not adversely affect soil, water, air, flora and fauna.

In addition to our own research and development efforts, we have strengthened our business platform through targeted acquisitions. We have also entered into a number of research and development agreements around the world for combinatorial chemical libraries, high throughput screening and follow-up of leads.

**U.S. GAAP**

Our financial statements have been prepared in accordance with IAS, which differs in certain significant respects from U.S. GAAP. Further information regarding these differences is contained in Note 32 to the consolidated financial statements.

Net income for the year ended December 31, 2000 under IAS was U.S.$564 million, an increase of U.S.$429 million as compared to U.S.$135 million in 1999. The corresponding figures under U.S. GAAP were U.S.$180 million, an increase of U.S.$116 million as compared to U.S.$64 million in 1999. Adjustments to bring net income from an IAS to a U.S. GAAP basis amounted to a net decrease of U.S.$384 million in 2000 and a net decrease of U.S.$71 million in 1999.

The increased adjustment between IAS and U.S. GAAP in fiscal year 2000 primarily relates to purchase accounting for Zeneca agrochemicals business. In addition to this purchase accounting difference of U.S.$271 million, differences relating to deferred taxes and stock-based compensation increased by U.S.$36 million and U.S.$12 million, respectively.

The income statement effect of purchase accounting for Zeneca agrochemicals business under U.S. GAAP resulted primarily from the treatment of in-process research and development. Under IAS, in-process research and development costs are not identified as an acquired asset in connection with the allocation of the purchase price. Therefore, these amounts are included in goodwill, which is amortized over its expected useful life. U.S. GAAP requires the separate identification of in-process research and development as a component of the purchase price allocation. In accordance with U.S. GAAP, we have expensed in-process research and development in connection with the acquisition of Zeneca agrochemicals business totalling U.S.$365 million in 2000. This incremental expense is net of restructuring costs of U.S.$93 million that were included as fair value adjustments in the purchase price allocation for Zeneca agrochemicals business under U.S. GAAP, but were charged to expense under IAS.

The incremental difference in deferred tax expense under U.S. GAAP primarily relates to the income tax benefit on the restructuring costs discussed above. As with the restructuring costs, the income tax benefit is included in the determination of net income under IAS, but is included as a fair value adjustment under U.S. GAAP. Increased expense under U.S. GAAP for stock based compensation plans of U.S.$12 million resulted from the adjustment of stock option strike prices intended to preserve the economic value of those options relative to that value prior to the spin-off.

From 1999 to 1998, the adjustment between IAS and U.S. GAAP reduced to a net decrease of U.S.$71 million in 1999 from a net decrease of U.S.$130 million. The primary elements in this reduction were restructuring costs and the deferred tax effect on the U.S. GAAP adjustments. The difference in restructuring costs between IAS and U.S. GAAP changed by U.S.$48 million, to a decrease of IAS net income of U.S.$6 million. This results from fewer restructuring expenditures, which did not qualify for accrual under U.S. GAAP in prior periods, being incurred in 1999 than in 1998. The change in this adjustment was partially offset by the change in the adjustment for deferred taxes on U.S. GAAP adjustments. As differences between IAS and U.S. GAAP decrease, there is generally a resulting decrease in the deferred tax effect.

**Introduction of the Euro**

On January 1, 1999, the euro was introduced in 11 member-states of the EU participating in the European Monetary Union (“EMU”) as a common legal currency alongside the national currencies (each, a “legacy currency”) of the participating countries. Switzerland is not a member of the EU or a participant in the EMU.

The conversion rates between the euro and the legacy currencies are fixed. From January 1, 1999 through January 1, 2002, the participating countries are also scheduled to maintain their legacy currencies as the legal tender for goods and services. Beginning January 1, 2002, new euro-denominated bills and coins will be issued, and legacy currencies must be withdrawn from circulation no later than July 1, 2002.

We believe that the introduction of the euro will reduce the cost of bearing foreign currency exchange risk and will diminish uncertainties relating to currency fluctuations on sales and costs within the EMU. The foreign currency exposure from transactions in Swiss francs, British pounds sterling or other currencies outside the EMU will not be changed by the introduction of the euro and will depend on actual exposure at the time of risk assessment.

We continue to review the impact of the introduction of the euro on our business and competitive position. We did not and do not expect to, experience any operational or technological difficulties with regard to the introduction of the euro.

## New Accounting Standards

### *International Accounting Standards*

IAS 12 (revised 2000) “Income Taxes” requires that current and deferred income taxes be measured at the tax rate applicable to undistributed earnings. The income tax consequences of dividends should be recognized when the related dividend is recognized in the financial statements. Syngenta believes that this revised standard will not have a material effect on the financial statements. This standard is effective for periods beginning on or after January 1, 2001.

IAS 19 (revised 2000) “Employee Benefits” requires that, in measuring the obligation for a defined benefit plan, plan assets should include certain assets that were previously excluded because the employer was responsible for making payments to employees, but was then reimbursed by the plan. Plan assets also now include certain insurance policies that satisfy the same conditions as other plan assets, and that have economic effects similar to those other plan assets. Syngenta has not determined what effect, if any, this revised standard will have on the financial statements. This standard is effective for periods beginning on or after January 1, 2001.

IAS 39 “Financial Instruments : Recognition and Measurement” requires all financial assets and financial liabilities to be recognized on the balance sheet, including all derivatives. They are initially measured at cost, which is the fair value of whatever was paid or received to acquire the financial asset or liability. Subsequent to initial recognition, all financial assets should be measured to fair value except for certain specified exceptions. After acquisition most financial liabilities should be measured at original recorded amount less principal repayments and amortization. For those financial assets and liabilities that are remeasured to fair value, changes in fair value are recognized in the income statement except in respect of available-for-sale financial assets as well as certain qualifying hedges. Changes in the fair value of available-for-sale financial assets may be recognized in the income statement or in equity until the asset is sold. The adoption of IAS 39 as of January 1, 2001 did not have a material effect on Syngenta’s consolidated financial statements.

In connection with IAS 39, various revisions have been made to IAS 32 “Financial Instruments: Disclosure and Presentation” in order to delete duplicate and redundant disclosures. The revisions to IAS 32 become effective for periods beginning on or after January 1, 2001. These revisions will not have any effect on the financial statements.

IAS 40 “Investment Property” prescribes the accounting treatment for investment property and related disclosure requirements. This standard replaces IAS 25 “Accounting for Investments” whereby an enterprise was permitted to choose from among a variety of accounting treatments for investment property. IAS 40 permits enterprises to choose either a fair value model or a cost model for the measurement of investment property. Under the fair value method, investment property should be measured at fair value and changes in fair value should be recognized in the income statement. Under the cost model, investment property should be measured at depreciated cost, less any accumulated impairment losses, with the related fair values disclosed. Syngenta has not determined what, if any, effect this new standard will have on the financial statements. This standard is effective for periods beginning on or after January 1, 2001.

### *U.S. GAAP*

Statement of Financial Accounting Standards SFAS No. 133 “Accounting for Derivative Instruments and Hedging Activities”, as amended by SFAS No. 137 and No. 138, requires all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income. The adoption of SFAS No 133 as of January 1, 2001 will result in the inclusion of a cash flow hedge reserve in equity of approximately U.S.$4 million on a pre-tax basis and approximately U.S.$3 million on an after-tax basis.

In September 2000 the Financial Accounting Standards Board issued SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities. SFAS No. 140 replaces SFAS No. 125 Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities. SFAS No. 125 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, however it carries over most of the provisions of SFAS No. 125 without reconsideration. SFAS No. 140 is generally effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The disclosure requirements are effective for financial statements for fiscal years ending after December 15, 2000. The Group does not expect the adoption of SFAS No. 140 to have a material impact on its present activities.

## Recent Developments

On January 31, 2001, Syngenta entered into an agreement to sell certain rights relating to the product sulcotrione to Bayer AG for U.S.$105 million. The sale was to meet competition authority requirements regarding the merger to create Syngenta, and related to sales of this product in the European Economic Area (EEA). This product was acquired in the merger with Zeneca agrochemicals business and the value of the product rights is included in other current assets. The sulcotrione business which was divested contributed sales of U.S.$52 million and operating income of U.S.$20 million in the year ended December 31, 2000.

Sales for the first quarter of 2001 were U.S.$1.91 billion compared with exceptionally strong sales of U.S.$2.17 billion for the first quarter of 2000. At constant exchange rates sales were 8% lower with crop protection down 10% and seeds down 2%. Changes in exchange rates reduced reported sales by 4%.

Strong cost control, coupled with planned progress in realizing synergy benefits, has resulted in margins in the first quarter of 2001 at the same level as the first quarter last year.

A slow start to the 2001 season with prolonged adverse weather conditions reduced early demand for crop protection products, particularly cereal fungicides in Europe. A projected 4% decline in U.S. corn acreage affected both crop protection and seeds. Selling prices remained broadly stable in the first quarter compared with the previous year.

**Future Prospects**

With the northern hermisphere growing season now underway, some recovery in the sales trend is expected during the remainder of the year. New product introductions are proceeding according to plan, including the launch of the new corn herbicide *CALLISTO*™ .

## ITEM 6 – DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

**Directors**

The Members of the Board of Directors are as follows:

| Name | Age | Position | Term |
|---|---|---|---|
| Heinz Imhof(1)(6) | 59 | Chairman of the Board | 2000 to 2004 |
| Sir David Barnes(2)(6) | 65 | Vice Chairman of the Board | 2000 to 2004 |
| Michael Pragnell(2) | 54 | Chief Executive Officer | 2000 to 2004 |
| Thomas Wellauer(2)(5) | 46 | Director | 2000 to 2004 |
| Peggy Bruzelius(3) | 52 | Director | 2000 to 2003 |
| Peter Doyle | 63 | Director | 2000 to 2003 |
| Hans Kindler | 63 | Director | 2000 to 2003 |
| Pierre Landolt(4) | 53 | Director | 2000 to 2003 |
| Martin Taylor(4) | 49 | Director | 2000 to 2002 |
| Peter Thompson | 55 | Director | 2000 to 2002 |
| Rolf Watter(4) | 43 | Director | 2000 to 2002 |
| Felix Weber(6) | 50 | Director | 2000 to 2002 |

(1) Chairman of the Chairman's Committee

(2) Member of the Chairman's Committee

(3) Chairman of the Audit Committee

(4) Member of the Audit Committee

(5) Chairman of the Compensation Committee

(6) Member of the Compensation Committee

***Heinz Imhof***
Chairman of the Board of Directors of Syngenta and of the Chairman's Committee and member of the Compensation Committee. Heinz Imhof was Head of Novartis' Agribusiness division and a member of the Novartis Executive Committee from June 1999 until the spin-off. From 1996 to 1999, he was Deputy Executive Head Novartis Agribusiness and Head of Novartis Seeds. He graduated from the Swiss Federal Institute of Technology in Zurich with a degree in agronomy.

***Sir David Barnes***
Vice Chairman of the Board of Directors of Syngenta, member of the Chairman's Committee and the Compensation Committee. Sir David was appointed to the board of Imperial Chemical Industries (ICI) PLC in 1986 and with the demerger of Zeneca in 1993 was appointed Chief Executive of Zeneca Group PLC and remained in that position until the formation of AstraZeneca in April 1999. He served as Executive Deputy Chairman of AstraZeneca from April 1999 to May 2000 and as Non-Executive Deputy Chairman until April 2001.

***Michael Pragnell***
Chief Executive Officer ("CEO") and Director of Syngenta and member of the Chairman's Committee. Michael Pragnell was appointed Chief Executive Officer of Zeneca Agrochemicals in 1995 and was a Director of Zeneca Group PLC from 1997 to April 1999. He also served as an Executive Director of AstraZeneca from April 1999 to November 2000. He has a degree in modern languages from Oxford University and an MBA from INSEAD.

***Peggy Bruzelius***
Director of Syngenta and Chairman of the Audit Committee. Peggy Bruzelius is Chairman of Grand Hotel Holdings and Lancelot Asset Management AB as well as being a Director of AB Electrolux, Scania AB, Ratos AB, AB Drott, Axfood AB, Axel Johnson AB and a Senior Advisor to Lehman Brothers Ltd. She holds an MBA from the Stockholm School of Economics.

***Peter Doyle***
Director of Syngenta. Peter Doyle served as Director of Oxagen, Avidex and Chairman of the Biotechnology and Biological Sciences Research Council. He served as director of ICI from 1989 until 1993 and of Zeneca Group PLC from 1993 until April 1999. He holds a BS (Hons) degree in pure science and a PhD in chemistry from Glasgow University.

***Hans Kindler***
Director of Syngenta. Hans Kindler was Head of Novartis Switzerland and of Novartis Group Technology and a member of the Novartis Executive Committee. He graduated in 1962 from the Swiss Federal Institute of Technology in Zurich with a degree in chemical engineering, followed by a PhD in organic chemistry in 1965.

***Pierre Landolt***
Director of Syngenta and member of the Audit Committee. Pierre Landolt has been a Director of Novartis since December 1996 and, prior to that, was a Director of Sandoz AG from 1986. He graduated with a Bachelor of Laws from the University of Paris Assas.

***Martin Taylor***
Director of Syngenta and member of the Audit Committee. Martin Taylor is presently an international advisor to Goldman Sachs and the Chairman of the WH Smith Group PLC, in addition to being a Director of Antigenics, Inc., and of Buttonwood Focus Fund Ltd. He is also a Director of RTL SA and is a former member of the British Government's Council for Science and Technology. He has a degree in Oriental languages from Oxford University.

***Peter Thompson***
Director of Syngenta. Peter Thompson is President and Chief Executive Officer of Pepsi-Cola International. He has a degree in modern languages from Oxford University and an MBA from Columbia University.

***Rolf Watter***
Director of Syngenta and member of the Audit Committee. Professor Watter has been a partner in the law firm Bär & Karrer in Zurich since 1994 and serves as a Professor at the Law School of the University of Zurich. He graduated from the University of Zurich with a doctorate and holds an LL.M. degree from Georgetown University.

***Felix Weber***
Director of Syngenta and member of the Compensation Committee. Felix Weber has been Chief Financial Officer and Senior Vice President of Adecco SA since 1998. He graduated in 1975 from the University of St. Gallen with a lic. oec. degree in operations research and finance and in 1978 with a PhD in business administration.

***Thomas Wellauer***
Director of Syngenta, member of the Chairman's Committee and Chairman of the Compensation Committee. He was appointed Chief Executive Officer of the Financial Services Division of Credit Suisse Group in April 2000. He graduated from the Swiss Federal Institute of Technology with a degree in chemical engineering in 1979 and a PhD in systems engineering in 1985, and holds an MBA from the University of Zurich.

The business address of all the directors is Syngenta AG, Schwarzwaldallee 215, 4058 Basel, Switzerland.

**Members of the Executive Committee**

The members of the executive committee of Syngenta are as follows:

| Name | Age | Position |
|---|---|---|
| Michael Pragnell | 54 | Chief Executive Officer |
| Richard Steiblin | 50 | Chief Financial Officer |
| John Atkin | 48 | Chief Operating Officer of Syngenta Crop Protection |
| Jeffrey Beard | 51 | Chief Operating Officer of Syngenta Seeds |
| Bruce Bissell | 55 | Head of Chemical Operations & Global Supply |
| David Evans | 58 | Head of Research & Technology |
| David Jones | 52 | Head of Business Development & Planning |
| Christoph Mäder | 42 | Head of Legal & Taxes |

***Michael Pragnell***
CEO of Syngenta. For further information see "-Directors"

***Richard Steiblin***
Chief Financial Officer and a member of the Executive Committee. From July 1998, Richard Steiblin held the position of Head of Finance and Business Development of Novartis Crop Protection. Prior to that, he was appointed Head of Finance and Materials Management of Novartis Crop Protection in 1996. He graduated from the IECS, Strasbourg University, with a degree in business administration in 1973.

***John Atkin***
Chief Operating Officer of Syngenta Crop Protection and a member of the Executive Committee. John Atkin was appointed Chief Executive Officer of Novartis Crop Protection in June 1999. From January to May 1999, he served as Chief Operating Officer of Novartis Crop Protection. He graduated from the University of Newcastle upon Tyne with a PhD and a BS degree in agricultural zoology in 1979.

***Jeffrey Beard***
Chief Operating Officer of Syngenta Seeds and a member of the Executive Committee. Jeff Beard was Head of the Business Area Corn for Novartis Seeds from January 1999. He graduated from the U.S. Naval Academy with a BS in analytical management in 1972 and holds an MBA from the University of Wisconsin. He received an MS degree in agribusiness from Iowa State University in 1988.

***Bruce Bissell***
Head of Chemical Operations and Global Supply and a member of the Executive Committee. Bruce Bissell was appointed Manufacturing and Supply Director of Zeneca Agrochemicals in July 1997. He was recruited to ICI in 1968 as a chemical engineer, having graduated from Strathclyde University with a degree in applied chemistry.

***David Evans***
Head of Research and Technology and a member of the Executive Committee. David Evans became Director of Research and Development for Zeneca Agrochemicals in 1993. He has a PhD in chemistry, and held Fellowships at MIT and Cambridge University. He lectured in chemistry at Southampton University from 1971 to 1979, and was Director of the Wolfson Unit of Chemical Entomology there from 1976 to 1979.

***David Jones***
Head of Business Development and Planning and a member of the Executive Committee. David Jones was appointed as Business Director for Zeneca Agrochemicals in June 1997, having been Regional Executive for Asia, Africa and Australasia since 1992. He has a BS and PhD in science and economics from Stirling University in Scotland.

***Christoph Mäder***
Head of Legal and Taxes and a member of the Executive Committee. Christoph Mäder was Head of Legal & Public Affairs of Novartis Crop Protection from January 1999. From 1992 to 1998, he served as Corporate Counsel in the Group Legal Department of Novartis. He graduated from Basel University Law School and is admitted to the Bar in Switzerland.

**Compensation**

***Executive Compensation Principles and Structure***

Syngenta's main executive compensation principles aim to attract and retain internationally oriented, successful executives, to guide competitive rewards in a competitive environment and to support a high performance culture. The total compensation for members of the Executive Committee and members of the Senior Management Group consists of a base salary, an annual cash incentive and a long-term option incentive. To motivate, reward and align performance, the ranges for individual and company performance-oriented variable compensation, i.e. annual cash incentive and long-term option incentive have been set at levels to help foster shareholder alignment and to create an entrepreneurial culture.

***Compensation in cash***

*Base salaries* are based on market benchmarks of a comparative group of relevant blue chip, global knowledge-based peer companies in local markets.

*Annual cash incentives* expressed as a percentage of base salary are based on corporate results and individual performance toward meeting predetermined, annual performance goals.

The aggregate amount of compensation paid in 2000 to the members of the Board and the members of the Executive Committee was U.S.$4.53 million. U.S.$0.25 million was set-aside for pension, retirement and other similar benefits. The above-mentioned amounts relate to 12 months for ex-Novartis executives and to 2 months for ex-AstraZeneca executives.

**Employee Share Participation Plans**

Employee and management share participation plans exist as follows:

*(a) Syngenta Executive Stock Option Plan*

In 2000, the Syngenta Executive Stock Option Plan was introduced to provide selected members of the Board of Directors, executives and key employees of Syngenta with an opportunity to obtain the right to purchase shares of Syngenta. The grant of options regarding Syngenta shares is at the discretion of the Compensation Committee, whose members are appointed by the Board of Directors of Syngenta. The number of shares authorized for grants of options under this plan during 2000 was approximately 512,000. The options vest in full and are exercisable after three years, and terminate after ten years from the grant date. The exercise price of approximately CHF 77 per share is equal to the weighted average share price at the Swiss stock exchange (SWX) of the five business days preceding the grant date as determined by the Compensation Committee.

Share option activity for 2000 is as follows (including the equivalent ADS shares that are offered to Syngenta employees in the United States):

| | 2000 | | |
|---|---|---|---|
| | Shares (000) | Weighted average exercise price CHF | Weighted average contractual life (years) |
| Outstanding at the beginning of the year | - | - | - |
| Granted | 512 | 77 | - |
| Outstanding at the end of the year | 512 | 77 | 10 |
| Exercisable at the end of the year | - | - | - |
| Weighted average fair value of options granted during the year (CHF) | - | 25 | 10 |

All options were granted at an exercise price which was greater than the market price of the Syngenta shares at the grant date.

*(b) Employee Share Ownership Plans*

In 1998, the Novartis Employee Share Ownership Plan was introduced for all employees of Swiss subsidiaries. This entitled employees after one year of service to acquire three shares in Novartis every year at a price determined by the Novartis Board's compensation committee, which was CHF 500 per share for 2000. Novartis agribusiness employees were immediately required to buy the shares to which they have became entitled. Charges for Novartis' employees participation in the plan were effectively eliminated in the allocation of corporate activities by Novartis. During the year 6,752 shares (1999: 8,727 shares; 1998: 9,867 shares) were distributed under this plan to Novartis agribusiness employees. Syngenta employees discontinued their participation in the Novartis Employee Share ownership plan as of 31 December 2000.

*(c) Novartis Stock Option Plan*

Options under the Novartis Stock Option Plan which are exercisable after three years and which terminate after ten years, were granted annually as part of the remuneration of Novartis executive officers and other employees outside the United States selected by the Novartis Compensation Committee entitling them to acquire Novartis shares (one share per option) at a predetermined strike price. The number of options granted depended on the performance of individuals and of the segment in which they worked.

As a consequence of the Transactions, conversion adjustments were made to the options outstanding for plan years 1998 and 1999. Each existing Novartis option was exchanged for one new Novartis option and one Syngenta option. As of the Separation Date, Syngenta employees discontinued participation in the Novartis Stock Option Plan and all options previously granted under the Novartis Stock Option Plan remain the obligation of Novartis. As a result, no options related to the Novartis Stock Option Plan after the Separation Date are reflected in the following table.

| | 2000 | | 1999 | | 1998 | |
|---|---|---|---|---|---|---|
| | Shares (000) | Weighted average exercise price CHF | Shares (000) | Weighted average exercise price CHF | Shares (000) | Weighted average exercise price CHF |
| Outstanding at the beginning of the year | 19 | 1,980 | 12 | 2,140 | 7 | 1,700 |
| Granted | 5 | 2,714 | 7 | 2,100 | 5 | 2,800 |
| Retained by Novartis | (24) | 2,245 | - | - | - | - |
| Outstanding at the end of the year | - | - | 19 | 2,125 | 12 | 2,140 |
| Exercisable at the end of the year | - | - | 1 | 1,980 | - | 1,700 |
| Weighted average fair value of options granted during the year (CHF) | | 900 | | 675 | | 733 |

All options were granted at an exercise price which was greater than the market price of the Novartis shares at the grant date.

*(d) Management ADS Appreciation Cash Plan*

In 2000 435,946 options (1999: 216,274 options; 1998: 309,292 options), exercisable after three years and terminating after ten years, were granted as part of the remuneration of eligible Novartis agribusiness employees in the United States entitled them to cash compensation equivalent to the increase in the value of Novartis ADSs compared to the market price of Novartis ADSs on the grant date. Options were granted annually as part of the remuneration of executive officers and other employees selected by the Novartis Board's Compensation Committee. The number of options granted depended on the performance of individuals and of the segment in which they worked. Syngenta employees discontinued their participation in the management ADS Appreciation Cash Plan as of the separation date.

**Corporate Governance**

Syngenta's corporate governance structure follows Swiss law and is consistent with the requirements and best practice of the capital markets where Syngenta is listed, namely Switzerland, the United States, the United Kingdom and Sweden.

***Service Contracts***

The Chairman has a fixed-term service contract which is customary under Swiss law and does not provide for benefits on termination surpassing the remuneration for the fixed term of the service contract. The CEO has a service contract following the terms of his former agreement with AstraZeneca pending finalization of a new service contract for which details relating to taxation of pension arrangement funding are still under review.

***Board Structure***

Our Board of Directors has the duties set forth under the Swiss Code of Obligations. The board is responsible for the ultimate direction and management of the Company and establishes the basic strategic, accounting, organizational and financial policies to be followed by the Company. The Board further appoints the members of the Executive Committee and the authorized signatories of the Company and supervises management of the Company. Moreover, the Board is entrusted with preparing shareholders' meetings and carrying out shareholders' resolutions. The Board may, pursuant to its regulations, delegate the conduct of the day-to-day business operations to management.

Some of the board's responsibilities are delegated to the Chairman's Committee, the Compensation Committee and the Audit Committee. Operative management of Syngenta is delegated to the Executive Committee.

**Chairman of the Board**
The Chairman of the Board is nominated by the Board, and shares responsibility for the strategic direction of Syngenta with the CEO. He ensures close liaison between the Board and its committees and the CEO. In consultation with the CEO, the Chairman supervises implementation of resolutions of the Board and of its committees.

The Chairman of the Board represents, jointly with the CEO, the interests of the Company as a whole to authorities and business associations both in Switzerland and internationally.

**Chairman's Committee**
The Chairman's Committee consists of four members nominated by the Board: the Chairman and Vice Chairman of the Board, the CEO and one other Director. This committee prepares the meetings of the Board of Directors and comments on matters falling within the Board's authority before decisions are taken. It is also empowered to make decisions on behalf of the Board where the latter has delegated such authority.

**Compensation Committee**
The Compensation Committee consists of four members appointed by the Board. The Chairman of the Board is an *ex officio* member. It regulates the compensation of the Directors and the remuneration and terms of employment of the members of the Executive Committee.

**Audit Committee**
The Audit Committee consists of four members who are all outside Directors. Its duties are to examine reports from external and internal auditors and to submit findings to the Board. It also monitors and reports on the performance and independence of the auditors.

**Internal Audit**
As an inspecting and monitoring body, Internal Audit carries out operational audits and system audits. Its duties are assigned by the Audit Committee and it submits its reports to the Chairman of the Board.

**Chief Executive Officer**
The CEO is nominated by the Board and shares responsibility for the strategic direction of Syngenta with the Chairman of the Board. The CEO is ultimately responsible for the active leadership and operational management of Syngenta and chairs the Executive Committee, representing the latter inside and outside the Company. Members of the Executive Committee are directly responsible to the CEO. The CEO in turn ensures the Executive Committee's efficiency and effectiveness to the Chairman, the Chairman's Committee and the Board.

The CEO represents, jointly with the Chairman, the interests of the Company as a whole to authorities and business associations both in Switzerland and internationally.

**Executive Committee**
Under the direction of the CEO, the Executive Committee is responsible for the operational management of the company. It consists of the CEO, the Chief Operating Officers of the crop protection and seeds divisions, and the heads of Syngenta's functional

activities: Finance, Research & Technology, Chemical Operations & Global Supply, Business Development & Planning and Legal & Taxes.

***Appointment of Directors and Members of the Executive Committee***

The members of the Board of Directors are appointed by the shareholders in a shareholders' meeting. The articles of incorporation of Syngenta provide that the term for which Directors are appointed must not exceed three years (one year within the meaning of this provision is the period from one ordinary shareholders' meeting to the next ordinary shareholders' meeting). Directors may be reelected. The members of the Executive Committee are appointed and removed by the Board of Directors.

**Employees**

We had approximately 23,000 permanent employees as of December 31, 2000. Approximately 20% of these were in NAFTA, 9% in Latin America, 17% in Asia Pacific and the remaining 54% in Europe and AME.

The functional distribution of our employees for the year ending December 31, 2000 was approximately as follows:

| | |
|---|---|
| Production | 40% |
| Research and development | 22% |
| Marketing and distribution | 27% |
| Administration and general overhead | 11% |

In Switzerland, Brazil, France, Germany, India, Italy, Japan, Korea, Spain, Sweden and the United Kingdom, part of the workforce is unionized or represented by work councils. In the United States, approximately 200 employees are unionized. On a worldwide basis, fewer than 10% of our employees belong to a trade union. Our relationships with our unions and other employee organizations are generally good, and there have been no significant industrial disputes over the last five years at any of Syngenta, Novartis agribusiness or Zeneca agrochemicals business.

***Employees of Novartis Agribusiness***

Novartis crop protection employed a total of approximately 11,000 permanent employees as of December 31, 1999. Approximately 17% of those are in NAFTA, 8% in Latin America, 23% in Asia Pacific and the remaining 52% are in Europe & AME.

As of December 31, 1998, Novartis crop protection employed approximately 11,100 permanent employees. Approximately 18% of those are in NAFTA, 8% in Latin America, 20% in Asia Pacific and the remaining 54% in Europe and AME.

Functionally, the distribution of employees in each of 1999 and 1998 was approximately as follows:

| | |
|---|---|
| Production | 38% |
| Research and development | 20% |
| Marketing and distribution | 31% |
| Administration and general overhead | 11% |

Novartis seeds employed approximately 4,500 permanent employees as of December 31, 1999. In addition, there were about 1,900 seasonal employees working mainly in production. Approximately 50% of the permanent employees were in Europe, 33% in NAFTA, 6% in Latin America and the remaining 11% in Asia Pacific & AME.

Functionally, the distribution of employees of Novartis seeds in 1999 was approximately as follows:

| | |
|---|---|
| Production | 26% |
| Research and development | 27% |
| Marketing and distribution | 34% |
| Administration and general overhead | 13% |

As of December 31, 1998 Novartis seeds employed approximately 4,300 permanent employees and approximately 1,300 seasonal employees, mainly in production. Geographically, approximately 49% of the permanent employees were in Europe, 34% in NAFTA, 6% in Latin America and 11% in Asia Pacific & AME.

Functionally, the distribution of employees of Novartis seeds in 1998 was approximately as follows:

| | |
|---|---|
| Production | 27% |
| Research and development | 26% |
| Marketing and distribution | 35% |
| Administration and general overhead | 12% |

**Management Shareholders**

The aggregate amount of Syngenta shares held by current Directors and the members of the Executive Committee as of May 29, 2001, based on information available to the Company is 33,217 (0.029% of all outstanding shares).

## ITEM 7 – MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

**Major Shareholders**

According to the Share Register of the Company, as of June 7, 2001 no person was known by the Company to be the owner of 5 percent or more of the Company's voting securities. Syngenta AG itself holds 9.99% of the shares in treasury. In accordance with Article 659a of the Swiss Code of Obligations, the Company, however, cannot exercise the voting rights relating to those shares.

To its knowledge, the Company is as of June 7, 2001 not owned or controlled, directly or indirectly, by another corporation, by any governemnt or by any other natural or legal person, severally or jointly.

**Related Party Transactions**

***The Transactions***

Syngenta was formed from the merger of Novartis agribusiness and Zeneca agrochemicals business in November 2000. The Transactions were effected by means of the demerger of Novartis agribusiness and Zeneca agrochemicals business from the remaining businesses of Novartis and AstraZeneca and the combination of Novartis agribusiness and Zeneca agrochemical business into Syngenta.

***Separation Agreements***

Syngenta has entered into agreements with Novartis and AstraZeneca to govern certain of the ongoing relationships between Syngenta, Novartis and AstraZeneca at and after the separation date and to provide for an orderly transition (the "Separation Agreements"). Based upon the accounting for the Transactions as an acquisition of Zeneca agrochemicals business by Novartis agribusiness, the agreements with Novartis are considered to be related party agreements.

For a brief description of the material terms of the following material separation agreements, see Item 10 "Additional Information—Material Contracts", below:

- Indemnity Matters Agreement between Novartis and Syngenta
- Non-U.S. Environmental Agreement between Novartis and Syngenta
- U.S. Environmental Matters Agreement between Novartis Corporation, Novartis Agribusiness Holding Inc. and Syngenta Crop Protection, Inc.
- Tax Deed between Novartis and Syngenta
- Intellectual Property Agreement between Novartis and Syngenta Participations AG
- Public Documentation and Securities Offering Contribution Agreement

***Interests of Management***

There are no outstanding loans granted by Syngenta or any of its subsidiaries to any of the Directors or members of the Executive Committee of Syngenta and there are no guarantees provided by Syngenta or any of its subsidiaries for the benefit of any Director or member of the Executive Committee of Syngenta.

There are no arrangements under which a Director or member of the Executive Committee of Syngenta has waived or agreed to waive future emoluments.

Unless disclosed in this annual report, no Director or member of the Executive Committee of Syngenta is or was involved in any business transactions outside the normal business activities of Syngenta or in other transactions which in terms of form or content would be out of the ordinary or of material effect upon Syngenta.

## ITEM 8 – FINANCIAL INFORMATION

**Legal Proceedings**

In addition to the legal proceedings described below, Syngenta is involved from time to time in a number of legal proceedings incidental to the normal conduct of its business, including proceedings involving product liability claims, commercial claims, employment and wrongful discharge claims, patent infringement claims, competition claims, tax assessment claims, waste disposal claims and tort claims relating to the release of chemicals into the environment. Syngenta maintains general liability insurance consistent with the market standards in our industry, including product liability insurance, covering claims on a world-wide basis with coverage limits and retention amounts which management believes to be adequate and appropriate in light of Syngenta's businesses and the risks to which it is subject.

On November 25, 1998, Bayer AG filed a patent infringement suit against Novartis Crop Protection, Inc., in the United States District Court for the Middle District of Louisiana. In that suit Bayer alleges that Syngenta's insecticide thiamethoxam infringes upon Bayer's U.S. Patent No. 5,719,146. Bayer seeks an injunction against continued infringement and an accounting for profits and damages or general damages to be assessed by the court, as well as an increase of such damages up to three times its amount. No specific quantum for damages has been filed. The suit is currently stayed pending the resolution of a related U.S. patent office interference proceeding. In 1994 Syngenta filed an objection to a European patent of Bayer which claims to cover thiamethoxam in eight European countries. This objection is currently before the European Patent Board of Appeals and will be the subject of an oral hearing currently scheduled for January 2002. In October 2000, we initiated proceedings against Bayer before the Japanese Patent office. On May 15, 2001 a further U.S. Patent No. 6,232,309 was issued to Bayer and Bayer on the same day filed further proceedings also in the United States District Court for the Middle District of Louisiana against Syngenta Crop Protection Inc., Syngenta Seeds Inc. and others, variously claiming direct infringement, inducement to infringe, or contributory infringement of that patent by the defendants, by the manufacture, use, promotion and sale of thiamethoxam. Bayer in these proceedings seeks a permanent injunction against continued infringement of U.S. Patent No. 6,232,309 and an accounting for profits and damages or general damages to be assessed under the Court's direction. The damages sought are not quantified in the claim. Also on May 15, Syngenta Crop Protection, Inc. filed an action against Bayer in the United States District Court for the District of Delaware for a declaratory judgment that U.S. Patent No 6,232,309 is invalid, unenforceable and not infringed by Syngenta. The action additionally seeks an injunction prohibiting Bayer from threatening or charging infringement of or instituting any action for infringement of U.S. Patent No. 6,232,309 against Syngenta. The respective courts will decide which suit will go forward to address the common issues. Syngenta will vigorously defend its rights to continue marketing products based on thiamethoxam in the United States in whichever court the dispute proceeds.

In late 1999 and early 2000 Higginbotham vs. Monsanto and Blades vs. Monsanto, two class actions, were filed alleging Monsanto violated U.S. antitrust laws and introduced GMO corn and soybean technology without proper testing. The antitrust allegations include price fixing, monopolization of the GMO corn and soybean markets, and preventing farmers from saving seed. In those class actions Novartis Seeds, Inc. among others was identified as a co-conspirator with respect to the allegations in the complaints but has so far not been named as a defendant. The class actions have since been consolidated into one in Missouri and have been renamed as Samples vs. Monsanto. The plaintiffs have moved to amend the complaint to add Syngenta Seeds, Inc., Syngenta Crop Protection, Inc., Pioneer Hi-Bred International, Inc. and Aventis CropScience USA Holding, Inc. as additional defendants, which is expected to be permitted by the court. Syngenta believes the allegations raised in the complaints to be unfounded. Syngenta and its predecessors have competed vigorously and lawfully and will strongly oppose these allegations.

Agro Atar S.A. has sued Zeneca SAIC in Buenos Aires, Argentina for wrongful termination of an agrochemicals supply contract. Plaintiff seeks relief for U.S.$43 million. The case is in the discovery phase. Syngenta believes that the claim is without merit and is vigorously contesting it.

Litigation is subject to many uncertainties, and the outcome of individual matters cannot be predicted with assurance. It is reasonably possible that the final resolution of some of these matters could require Syngenta to make expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that cannot be reasonably estimated. Although the final resolution of any such matters could have a material effect on Syngenta's consolidate operating results and cash-flows for a particular reporting period, Syngenta believes that it should not materially affect its consolidated financial position.

**Dividends and Dividend Policy**

Our Board of Directors expects to propose a dividend to the shareholders' meeting once a year. Syngenta will pay its first dividend in April 2002. The level of dividend to be paid will be based on the financial performance in 2001 and will also depend on the need to fund capital expenditures, working capital and other investments and is expected to be between 25% and 40% of net income, excluding special charges. All shareholders are entitled to equal dividends. Holders of CDIs and ADRs will receive dividends in proportion to the number of Sygenta shares represented by the CDIs or ADRs. Syngenta's first shareholders' meeting has been set for April 23, 2002.

Cash dividends payable to holders of ADRs listed on the New York Stock Exchange will be paid to The Bank of New York, which will convert the dividends into U.S. dollars for disbursement to such holders. Cash dividends payable to holders of ordinary shares listed on the OM Stockholm Stock Exchange will be paid to VPC which will convert the dividends into Swedish kroner for disbursement to such shareholders. Cash dividends payable to holders of CDI's will be paid to CREST. If the CDI's are held through Lloyds TSB Registrars, the holder will receive dividends in British pounds sterling. For information on Swiss law requirements regarding dividends, see "Item 10 – Additional Information – Articles of Incorporaiton – Dividends". For information about deduction of withholding taxes, see "Item 10 – Additional Information – Taxation – Switzerland".

## ITEM 9 – THE OFFER AND LISTING

### Markets

**Trading Markets and Price Ranges**

Our shares are primarily listed on the Swiss Exchange; they are also listed and traded on the OM Stockholm Stock Exchange, the London Stock Exchange (in the form of CDIs) and the New York Stock Exchange (in the form of ADSs).

The information presented in the table below represents, for the periods indicated, the reported high and low closing sales prices quoted in their respective currency.

**Trading Prices on the Swiss Exchange**

| Monthly Highs and Lows | Price per Share in CHF | |
|---|---|---|
| | **High** | **Low** |
| 2000 | | |
| November(1) | 80.40 | 75.05 |
| December | 87.00 | 76.40 |
| 2001 | | |
| January | 100.50 | 87.00 |
| February | 102.75 | 97.10 |
| March | 100.50 | 81.50 |
| April | 92.80 | 87.75 |
| May | 91.25 | 84.70 |

(1) Since November 13, 2000

**Trading Prices on the Stockholm Stock Exchange**

| Monthly Highs and Lows | Price per Share in SEK | |
|---|---|---|
| | **High** | **Low** |
| 2000 | | |
| November(1) | 453.50 | 420.00 |
| December | 506.00 | 430.00 |
| 2001 | | |
| January | 580.00 | 505.00 |
| February | 600.00 | 560.00 |
| March | 590.00 | 486.00 |
| April | 552.00 | 505.00 |
| May | 541.00 | 495.00 |

(1) Since November 13, 2000

| Trading Prices on the London Stock Exchange | | |
|---|---|---|
| Monthly Highs and Lows | Price per Share in GB pence | |
| | High | Low |
| 2000 | | |
| November(1) | 3225.00 | 3012.50 |
| December | 3530.00 | 3075.00 |
| 2001 | | |
| January | 4125.00 | 3530.00 |
| February | 4257.50 | 3985.00 |
| March | 4105.00 | 3350.00 |
| April | 3780.00 | 3565.00 |
| May | 3587.50 | 3352.50 |

(1) Since November 13, 2000

| Trading Prices on the New York Stock Exchange | | |
|---|---|---|
| Monthly Highs and Lows | Price per ADS (1) in U.S.$ | |
| | High | Low |
| 2000 | | |
| November (2) | 9.00 | 8.38 |
| December | 10.94 | 8.88 |
| 2001 | | |
| January | 12.15 | 10.94 |
| February | 12.67 | 11.60 |
| March | 12.06 | 9.68 |
| April | 11.06 | 10.12 |
| May | 10.61 | 9.65 |

(1) One ADS represents one fifth of a share of the Company
(2) Since November 13, 2000

Source: Bloomberg, Datastream

**The Swiss Exchange**

The Swiss Exchange is a private organization comprised of 102 members. As of December 31, 2000, 252 Swiss companies and 164 foreign companies were listed on the Swiss Exchange. Securities traded on the Swiss Exchange include Swiss and foreign bonds, equities, investment funds, rights and warrants.

The Swiss Exchange is an order-driven exchange system. Transactions on the Swiss Exchange are transmitted electronically via a high-speed computer-processing centre. Trading is divided into three separate phases: Pre-opening, opening and continuous trading. During the pre-opening phase, the system is available for entries into the order book, inquiries and reporting off-exchange transactions, which are subject to additional regulations. During the opening phase, the system fixes the opening price for the particular security. During the continuous trading phase orders are matched. The Swiss Exchange interrupts, for limited periods, trading in a security that is subject to significant price fluctuation during a particular trading period.

The aggregate market value of domestic equity securities listed on the Swiss Exchange as of December 31, 2000 was CHF 2,117 billion. As of December 31, 2000 the 10 largest companies in terms of market capitalization represented CHF 909 billion or approximately 43 percent of the Swiss Exchange's aggregate market capitalization. Average monthly trading volume during 2000 was CHF 99.1 billion.

## ITEM 10 – ADDITIONAL INFORMATION

### Articles of Incorporation

Set out below is a brief summary of certain provisions of the articles of incorporation and of the Swiss Code of Obligations (*Schweizerisches Obligationenrecht*) relating to the Syngenta shares. This description does not purport to be complete and is qualified in its entirety by reference to the Swiss Code of Obligations and the articles of incorporation of Syngenta. Copies of the Syngenta articles of incorporation are available at the offices of Syngenta AG, Schwarzwaldallee 215, 4058 Basel, Switzerland, and an English translation is included as an exhibit to this annual report.

Syngenta AG is registered in the commercial register of the Canton of Basel-Stadt under number CH-170.3.023.349-3. The business purpose of Syngenta, according to article 2 of its articles of incorporation, is to hold interests in enterprises, particularly in the areas of agribusiness; under special circumstances, Syngenta may also directly operate such businesses. Syngenta may acquire, mortgage, liquidate or sell real estate and intellectual property rights in Switzerland or elsewhere.

**Capital Structure and Shares**

The nominal share capital of Syngenta is CHF 1,125,645,840, divided into 112,564,584 registered shares with a nominal value of CHF 10 each. All of the Syngenta shares have been issued in registered form and are fully paid.

A shareholder may at any time request that Syngenta confirm the number of registered shares owned by the shareholder recorded in Syngenta's share register. Shareholders are not entitled, however, to demand the printing and delivery of certificates representing shares.

**Voting Rights**

Each Syngenta share carries one vote at the shareholders' meetings of Syngenta. Voting rights may be exercised only after a shareholder has been registered in Syngenta's share register (*Aktienbuch*) as a shareholder with voting rights. Registration as a shareholder with voting rights is subject to certain declarations on the ownership of Syngenta shares.

**Shareholders' Meetings**

Under Swiss law, an ordinary annual shareholders' meeting must be held within six months after the end of Syngenta's financial year. Shareholders' meetings may be convened by the board of directors or, in exceptional circumstances, by the statutory auditors. The board of directors is further required to convene an extraordinary shareholders' meeting if resolved by an ordinary shareholders' meeting or if requested by shareholders holding in the aggregate at least 10% of the share capital of Syngenta. Shareholders holding Syngenta shares with a nominal value of at least CHF one million (i.e., 100,000 shares) have the right to request that a specific proposal be put on the agenda and voted upon at the next shareholders' meeting. A shareholders' meeting is convened by publishing a notice in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*) at least 20 days prior to such meeting.

The shareholders' meeting passes resolutions and makes elections, if not otherwise required by law, with a simple majority of the votes represented (i.e., abstentions from voting shares represented at the meeting having the effect of votes against the proposal). Under Swiss law and as per Syngenta's articles of incorporation a resolution passed at a shareholders' meeting with a supermajority of 66 2/3% of the votes represented and the absolute majority of the nominal value of the Syngenta shares represented is required for:

- changes in Syngenta's business purpose
- the creation of shares with privileged voting rights
- restrictions on the transferability of registered shares and the removal of such restrictions
- an authorized or conditional increase in Syngenta's share capital
- an increase in Syngenta's share capital by way of capitalization of reserves (*Kapitalerhöhung aus Eigenkapital*), against contributions in kind (*Sacheinlage*) or for the purpose of the acquisition of assets (*Sachübernahme*), or the granting of special privileges
- the restriction or withdrawal of pre-emptive rights of shareholders
- a relocation of the registered office
- the dissolution of Syngenta other than by liquidation (for example, by way of a merger).

In addition, any provision in the articles of incorporation providing for a stricter voting requirement than the voting requirements prescribed by law or the existing articles of incorporation must be adopted in accordance with such stricter voting requirements. The articles of incorporation of Syngenta do not contain provisions setting forth stricter voting requirements for shareholders' meetings than the voting requirements prescribed by law and described above.

The shareholders' meeting also has the non-transferable power to vote by a simple majority of the votes represented at the shareholders' meeting on any amendments to the articles of incorporation (other than those referred to in the preceding two paragraphs), to elect the Directors, the external auditors, to approve the annual report and the financial statements, to set the annual dividend, to grant the Directors and management discharge from liability for matters disclosed to the shareholders' meeting, and to order an independent investigation into specific matters proposed to the shareholders' meeting (*Sonderprüfung*).

At Syngenta's shareholders' meetings, shareholders may only be represented by a legal representative, by another shareholder entitled to vote based on a written proxy, proxies designated in agreements with or regulations relating to nominees, by an appointed representative of the corporate body of Syngenta (*Organvertreter*), the independent proxy (*unabhängiger Stimmrechtsvertreter*) or an assignee of proxy votes for deposited shares (*Depotvertreter*). Votes are taken on a show of hands unless the shareholders' meeting resolves to have a ballot or such ballot is ordered by the chairman of the meeting.

**Pre-emptive Rights**

Under Swiss law, any share issue, whether for cash, non-cash consideration or no consideration, is subject to the prior approval of the shareholders' meeting. As a rule, Syngenta shareholders have pre-emptive rights for all new issues of securities. However, these pre-emptive rights may be varied or excluded by a resolution of a shareholders' meeting on valid grounds. The resolution must be taken by a majority of two thirds of the votes represented at the meeting and the absolute majority of the par value of the shares represented (unless provided otherwise in the articles of incorporation). Valid grounds are, for instance, the acquisition of all or part of the assets and liabilities or the acquisition of the shares of another company as well as the creation of employee participation plans. The shareholders may not be treated unequally in connection with any exclusion of pre-emptive rights. Moreover, it must be in the interest of the Company to exclude such pre-emptive rights in any given case. In the event of a conditional or authorized share capital increase, the shareholders' meeting may delegate the decision as to whether pre-emptive rights should be excluded to the Board of Directors provided the fundamental principles upon which the decision has to be made are determined by the shareholders' meeting.

**Borrowing Power**

Neither Swiss law nor the articles of incorporation of Syngenta restrict in any way Syngenta's power to borrow and to raise funds. The decision to borrow funds is passed by or under the direction of Syngenta's Board of Directors, with no shareholders' resolution being required.

**Duration and Liquidation**

The articles of incorporation do not limit Syngenta's duration. Syngenta may be dissolved at any time by a shareholders' resolution which must be passed by (1) an absolute majority of the Syngenta shares represented at the meeting in the event Syngenta is dissolved by way of liquidation, and (2) a super-majority of 66 2/3% of the votes represented and the absolute majority of the nominal value of the Syngenta shares represented at the meeting in other events (for example in a merger where Syngenta is not the surviving entity).

Under Swiss law, any surplus arising out of a liquidation (after the settlement of all claims of all creditors) is distributed to shareholders in proportion to the paid-up nominal value of Syngenta shares held by them.

**Directors**

According to Section 3 of the articles, the Board of Directors can pass resolutions with respect to all matters which are not reserved to the authority of the shareholders' meeting by law or by the articles of incorporation. Exercise of this power does not require shareholders approval. Neither Swiss law nor the articles restrict in any way the Company's power to borrow or otherwise raise funds.

The terms of office for each member of the Board of Directors shall not exceed three years (a year within the meaning of this provision is the interval between two ordinary shareholders' meeting). The term of office shall be determined for each member at the occasion of its election. The several terms of office shall be co-ordinated so that in each year approximately one third of all members of the Board of Directors shall be subject to re-election or election.

The Directors shall automatically retire after the lapse of the twelfth year of office or, if earlier, after the expiry of the seventieth year of age, provided that the retirement shall become effective on the date of the next ordinary shareholders' meeting following such event.

**Dividends**

Swiss law requires that at least 5 percent of the annual net profits of the Company be retained by the Company as general reserves for so long as these reserves amount to less than 20% of the Company's nominal share capital. Under Swiss law, dividends are paid out only if approved by the shareholders. The Board may propose that a dividend be paid out, but cannot itself set the dividend. In practice, the shareholders' meeting usually approves the dividend proposal of the Board. Dividends are usually due and payable immediately after the shareholders' resolution relating to the allocation of profits has been passed. The Company only has one class of shares with a nominal value of CHF 10 each. Therefore, all shareholders are entitled to equal dividends.

Holders of CDIs and ADRs will receive dividends in proportion to the number of Syngenta shares represented by the CDIs or ADRs According to section 4 of the Articles, dividends which have not been claimed for within five years after the due date fall back to the Company and would be allocated to the general reserves.

**Liquidation**

According to Swiss Law, each shareholder is entitled to receive the part of the assets of a company remaining after its liquidation which is proportional to its paid in shareholding.

**Redemption Provision**

Swiss law limits the number of shares, which the Company may hold or repurchase. The Company and its subsidiaries may repurchase shares only if (i) the Company has sufficient free reserves to pay the purchase price and (ii) the aggregate nominal value of such shares does not exceed 10 percent of the nominal share capital of the Company. Shares held by the Company and its subsidiaries do not have any voting rights. Furthermore, the Company must create a reserve on its balance sheet in the amount of the purchase price of the acquired shares. Long-term shares buy-backs by the Company may be subject to certain adverse tax consequences in Switzerland.

**Mandatory Bid Rule**

Under the Swiss Stock Exchange Act, shareholders and groups of shareholders acting in concert who acquire more than 33 1/3 percent of the voting rights of a company incorporated in Switzerland of which at least one class of equity securities is listed on the Swiss Exchange must submit a takeover bid to all remaining shareholders. A mandatory takeover bid must be made under certain rules (including rules with respect to price and procedures) set forth in the Swiss Stock Exchange Act.

## Material Contracts

**The Separation Agreements**

Novartis, AstraZeneca, Syngenta and various of their affiliates entered into a series of separation agreements, each of which became effective at the completion of the transactions, the purpose and effect of which was:

- to achieve the separation of the historic, current and possible future liabilities of the Novartis agribusiness and Zeneca agrochemicals business from the historic, current and possible future liabilities of the remaining activities of Novartis and AstraZeneca;
- to properly allocate amongst the parties liabilities that may arise under relevant securities laws as a result of any misstatements or omissions contained in the various annual report documentation to be distributed to AstraZeneca and Novartis shareholders or as a result of the transactions themselves;
- to provide for the provision of various services between Novartis, AstraZeneca and Syngenta on a transitional, and in certain instances a longer term, basis; and
- to ensure all affected parties have access to necessary relevant information in the future and that, where relevant, such information is subject to appropriate confidentiality provisions.

***Indemnity Matters Agreement between Novartis and Syngenta***

Novartis and Syngenta entered into an indemnity matters agreement governed by Swiss law on September 12, 2000. Under this agreement, Novartis and Syngenta reciprocally covenanted, subject to a valid claim being submitted prior to the tenth anniversary of the completion of the transactions, to pay amounts on the following basis:

- Novartis covenanted to pay to Syngenta the amount of any losses, suffered by Syngenta or any other member of the Syngenta group, arising in connection with the business carried out by Novartis (excluding the agribusiness,) and the amount of any losses, suffered by Syngenta or any other member of the Syngenta group, arising in connection with the reorganization of the Novartis group for the purpose of separating the Novartis business and residual liabilities from the agribusiness;
- Syngenta covenanted to pay to Novartis the amount of any losses, suffered by Novartis or any other member of the Novartis group, arising in connection with the agribusiness.

The indemnity matters agreement does not entitle the parties to the amount of any claim with respect to any matter which is the subject of the public documentation and securities offering indemnity agreement, the non-U.S. environmental matters agreement, the U.S. environmental matters agreement, the master services agreement, the tax deed or the intellectual property agreement.

The covenants to pay cover losses of both existing and former operations and divested divisions of the respective businesses. Neither party is liable unless the losses exceed U.S.$1,000,000 per event or series of related events except in circumstances where one party assumes control of a proceeding against a third party.

The parties are not obligated to reimburse each other for amounts which are recovered under an insurance policy or otherwise from a third party.

***Indemnity Matters Agreement between AstraZeneca and Syngenta***

AstraZeneca and Syngenta entered into an indemnity matters agreement governed by English law on September 12, 2000. Under this agreement, AstraZeneca and Syngenta reciprocally covenanted, subject to a valid claim being submitted prior to the tenth anniversary of the completion of the transactions, to pay amounts on the following basis:

- AstraZeneca covenanted to pay to Syngenta the amount of any liabilities incurred by Syngenta or members of its group associated with the business carried out by AstraZeneca (excluding Zeneca agrochemicals business) and the amount of any liabilities arising in connection with the reorganization of the AstraZeneca group for the purpose of separating the AstraZeneca healthcare business and other non-agrochemical businesses and residual liabilities from Zeneca agrochemicals business and, in particular, claims by employees relating to transferring to or maintaining their employment with the AstraZeneca business;

- Syngenta covenanted to pay to AstraZeneca the amount of any liabilities incurred by AstraZeneca or members of its group associated with Zeneca agrochemicals business. This includes claims by employees relating to transferring to or maintaining their employment with the Syngenta business.

The indemnity matters agreement does not entitle the parties to the amount of any claim with respect to any matter which is the subject of the public documentation and securities offering indemnity agreement, the non-U.S. environmental matters agreement, the U.S. environmental matters agreement or the tax deed.

The covenant to pay covers liabilities of both existing and former operations and divested divisions of the respective businesses. Neither party is liable unless their liability exceeds U.S.$1,000,000 per event or series of related events except in circumstances where:

- one party assumes control of a claim against a third party; or

- the event giving rise to the liability occurs wholly after the date on which the master agreement becomes wholly unconditional.

The parties are not obligated to reimburse each other for amounts which are recovered under an insurance policy or under a contract with a third party.

***Public Documentation and Securities Offering Contribution Agreement***

Novartis, AstraZeneca and Syngenta entered into an agreement on September 12, 2000 governed by Swiss law. Under this agreement, the parties covenanted to pay amounts to each other on the following basis:

- Novartis agreed to pay Syngenta or AstraZeneca, as appropriate, an amount equal to any losses suffered by Syngenta or AstraZeneca, respectively, or their respective subsidiaries, officers, employees or agents,

  (1) as a result of any untrue statement or omission made in any of the sections in the listing and shareholders' documentation attributable to Novartis that are identified in the agreement as such,

  (2) arising from the rights offering to Novartis shareholders in respect of Syngenta shares and the declaration, payment and settlement of the dividend of shares in Novartis Agribusiness Holding Inc., or

  (3) due to any actions or statements by Novartis or one of its subsidiaries, directors, advisers, agents or employees, other than any untrue statement or omission based on information not attributable to Novartis;

- AstraZeneca agreed to pay to Syngenta or Novartis, as appropriate, an amount equal to any losses suffered by Syngenta or Novartis, respectively, or their respective subsidiaries, officers, employees or agents,

  (1) as a result of any untrue statement or omission made in any of the sections in the listing and shareholders' documentation attributable to AstraZeneca that are identified in the agreement as such,

  (2) from the declaration, payment and settlement of the dividend of shares in Syngenta to be declared by AstraZeneca, or

  (3) due to any actions or statements by AstraZeneca or one of its subsidiaries, directors, advisers, agents or employees, other than any untrue statement based upon information not attributable to AstraZeneca or any omission from such information;

- AstraZeneca and Novartis each agreed to pay Syngenta an amount equal to up to 50% of any losses suffered by Syngenta or its subsidiaries, officers, employees or agents pursuant to

  (1) the registration, listing, transfer and issue of the Syngenta shares or Syngenta ADSs, or

  (2) the global offering or share repurchase or other transactions involving any Syngenta shares, as detailed in the listing and shareholders' documentation and including pursuant to the sponsorship agreement, save that where such losses have been caused by Syngenta, or one of its subsidiaries, directors, advisers, agents or employees, implementing such transactions other than materially in accordance with their descriptions set out in the listing and shareholders' documentation, in which circumstances Syngenta shall be liable for any such losses; and

- Syngenta agreed to pay AstraZeneca or Novartis, as appropriate, an amount equal to any losses suffered by AstraZeneca or Novartis, respectively, or their respective subsidiaries, officers, employees or agents pursuant to

  (1) any untrue statement or omission made in any of the sections in the listing and shareholders' documentation attributable to Syngenta that are identified in the agreement as such,

  (2) the marketing of the Syngenta shares and Syngenta ADSs in connection with the proposed transaction, including briefings, presentations and materials given to investors, analysts and the press, or

  (3) any actions or statements by Syngenta, or one of its subsidiaries, directors, advisers, agents or employees, other than any untrue statement based upon information not attributable to Syngenta or any omission from such information.

Between them, Novartis, AstraZeneca and Syngenta took responsibility for all the information contained in the public documentation and securities offering documentation.

No party shall have any liability under this agreement for claims made more than seven years after the completion date of the agreement.

***Non-U.S. Environmental Matters Agreements between Novartis and Syngenta and between AstraZeneca and Syngenta***

Novartis and Syngenta entered into a non-U.S. environmental matters agreement dated September 12, 2000. AstraZeneca and Syngenta entered into a non-U.S. environmental matters agreement dated September 12, 2000. Under these agreements, the parties covenanted to pay amounts to each other in respect of liabilities relating to environmental, health and safety matters (other than product liability claims which can be separated from environmental, health and safety matters) against respective group companies registered outside the United States which arise through the historic, current and future operation of the businesses on the following basis:

Syngenta assumed and will covenant to pay in respect of:

- environmental, health and safety liabilities arising from, caused by or in connection with the conduct of the Novartis agribusiness and Zeneca agrochemicals business or the Syngenta business (except environmental, health and safety liabilities that relate to a Novartis or AstraZeneca site not transferred or not to be transferred to Syngenta) and

- environmental, health and safety liabilities arising from, caused by or in connection with sites transferred to or to be transferred to Syngenta (except for the Huddersfield Site and the Bradley Tip Site in the United Kingdom transferred or to be transferred to Syngenta from AstraZeneca. At these two sites, Syngenta will not assume or covenant to pay in respect of environmental, health and safety liabilities arising from, caused by or in connection with the conduct of AstraZeneca non-agrochemical businesses).

Novartis and AstraZeneca respectively assumed, and will covenant to pay in respect of:

- environmental, health and safety liabilities arising from, caused by or in connection with the conduct of the Novartis non-agribusiness or the AstraZeneca healthcare and other non-agrochemical businesses (except environmental, health and safety liabilities that relate to sites - other than the sites at Huddersfield and Bradley Tip - transferred or to be transferred to Syngenta) and

- environmental, health and safety liabilities arising from, caused by or in connection with AstraZeneca or Novartis sites not transferred or to be transferred to Syngenta.

In relation to compensation claims by workers for environmental, health and safety matters, the parties agreed that, in relation to those claims which arise as a result of employment by Novartis, AstraZeneca or Syngenta, the business which employed the worker at the time the circumstances giving rise to the claim arose, will assume liability for the claim, regardless of the ownership or responsibility for the site on which the event giving rise to the claim occurred.

Where Syngenta owns a site jointly with Novartis or AstraZeneca, or where Syngenta owns property adjacent to property owned by Novartis or AstraZeneca or where a site owned by Syngenta is the site of Novartis' or AstraZeneca's activities, or vice versa:

- Syngenta assumed and will be responsible for and covenants to pay in respect of environmental, health and safety liabilities arising from, caused by or in connection with the conduct of Novartis agribusiness, Zeneca agrochemicals business and the Syngenta business, and

- Novartis and AstraZeneca respectively assumed, and will be responsible for and covenant to pay in respect of environmental, health and safety liabilities arising from, caused by or in connection with the conduct of the Novartis non-agribusiness or the AstraZeneca healthcare and other non-agrochemical businesses.

Notwithstanding the foregoing allocation, Novartis and AstraZeneca respectively and Syngenta agreed that no party will be obligated to reimburse the other in respect of a given environmental, health and safety liability, unless the value of such claim or a series of related claims exceeds U.S.$1,000,000. If such a claim or series of claims exceeds this amount, the whole of the claims will be subject to recovery under the agreement. This minimum threshold amount will not apply:

- to liabilities arising at AstraZeneca or Novartis retained sites and sites transferred or to be transferred to Syngenta;

- to liabilities arising at any site jointly owned by Syngenta and Novartis or AstraZeneca, or at any site owned by Syngenta which is adjacent to a site owned by Novartis or AstraZeneca or vice versa, or at any site owned by Syngenta where activities of AstraZeneca or Novartis are carried on or vice versa;

- to liabilities arising at sites owned by third parties;

- to liabilities which arise from the disposal of the Specialty Chemicals Businesses of AstraZeneca to Avecia Limited;

- to liabilities which arise from events or circumstances which occur entirely after the date of the completion of the transactions; and

- to liabilities in relation to which more than one of the parties has been named by a third party as potentially or actually responsible.

Special arrangements were made in relation to Novartis' divestiture of its specialty chemical facilities at the Monthey site, Switzerland, to Ciba Speciality Chemicals Holding Ltd., and for waste disposal facilities of Basler Chemische Industrie ("BCI"). Specifically, Syngenta agreed to reimburse Novartis for 50% environmental costs arising at the Monthey site shared with an affiliate of Ciba Speciality Chemicals Holding Ltd. against assignment of Novartis' respective claims and rights against Ciba Speciality Chemicals Holding Ltd., and, in addition, against Novartis' covenant that Syngenta shall be deemed the beneficial owner of all funds paid or becoming payable to Novartis with respect to the Monthey site. Syngenta also agreed to enter into an agreement with BCI concerning the sharing of responsibility for certain waste disposal sites located in Switzerland on a pro rata basis with respect to the amount of chemical waste deposited at such sites by Novartis agribusiness.

Special arrangements were made in relation to the contractual liabilities to Avecia Limited following the disposal of the Specialty Chemicals Businesses of AstraZeneca to Avecia Limited in June 1999. Specifically, AstraZeneca agreed to bear all the liabilities to Avecia Limited under an environmental deed of covenant entered into in connection with the disposal except where such liabilities relate to Zeneca agrochemicals business or the Syngenta business which will be borne by Syngenta.

The parties are not obligated to reimburse each other for amounts which are recovered under an insurance policy or under a contract with a third party.

***U.S. Environmental Matters Agreements between and among U.S. affiliates of AstraZeneca and Novartis and Syngenta***

Pursuant to an agreement between Novartis Corporation, Novartis Agribusiness Holding Inc. and Syngenta Crop Protection, Inc (doing business as Novartis Crop Protection Inc.) dated September 12, 2000 and an agreement between Zeneca Holdings Inc. and Stauffer Management Company, both wholly owned subsidiaries of AstraZeneca, and Zeneca Ag Products Holdings Inc. (which became a member of the Syngenta group) dated September 12, 2000 the parties assumed, and indemnified each other against, liabilities relating to environmental, health and safety claims against U.S. group companies (other than claims which are entirely product liability claims) which arise through the historic, current and future operation of the businesses generally on the following basis:

Syngenta assumed, will be responsible for and indemnify against:

- environmental, health and safety liabilities arising from, caused by or in connection with the conduct of the Novartis agribusiness and Zeneca agrochemicals business or the Syngenta business (except environmental liabilities that relate to a Novartis or AstraZeneca site not transferred or not to be transferred to Syngenta) and

- environmental, health and safety liabilities arising from, caused by or in connection with sites transferred or to be transferred to Syngenta.

Novartis and AstraZeneca, respectively, assumed, will be responsible for and indemnify against:

- environmental health and safety liabilities arising from, caused by or in connection with the conduct of the Novartis and AstraZeneca non-agrochemicals business (except environmental liabilities that relate to a site transferred or to be transferred to Syngenta); and

- environmental, health and safety liabilities arising from, caused by or in connection with Novartis or AstraZeneca sites not transferred or to be transferred to Syngenta.

In relation to compensation claims by workers for environmental, health and safety matters, the parties agreed that, in relation to those claims which arise as a result of employment by Novartis, AstraZeneca or Syngenta, the business which employed the worker at the time the circumstances giving rise to the claims arose will assume liability for the claim, regardless of the ownership or responsibility for the site on which the event giving rise to the claim occurred.

Notwithstanding the foregoing allocation, Novartis and AstraZeneca, respectively, and Syngenta agreed that neither party shall be obligated to indemnify the other against a given environmental, health and safety liability unless the value of such claim or a series of related claims exceeds U.S.$1,000,000. If such a claim or series of related claims exceeds this amount, the whole of the claim will be subject to indemnification under the agreement. This minimum threshold amount does not apply:

- to liabilities which have been specifically allocated between the parties by virtue of the operation of clauses of this agreement or agreements relating to specific sites; and

- to liabilities which arise from events or circumstances which occur entirely after the date of the completion of the transactions.

In relation to Novartis's divestiture of its historic specialty chemical business to Ciba Specialties, the parties agreed that, in general, liabilities assumed by Novartis as part of the divestiture and other matters, (except those which are attributable to the carrying on of agrochemicals activities at the sites which formed part of the aforementioned transaction) and including environmental, health and safety matters will continue to be assumed by Novartis. Thus, Novartis will indemnify Syngenta in respect of those liabilities unless the liability is caused or exacerbated by the actions or omissions of Syngenta.

As a consequence of the acquisition and subsequent divestiture in the late 1980's of various businesses of the former Stauffer Chemical Company, a subsidiary of AstraZeneca has previously undertaken discrete indemnity obligations to certain of the buyers of those businesses. AstraZeneca and Syngenta agreed that, except as otherwise agreed with respect to AstraZeneca and Syngenta Sites (as defined in the U.S. Environmental Matters Agreement), a subsidiary of AstraZeneca will continue to manage claims received by it in writing on or before August 31, 2000 pertaining to the historic agricultural operations of Stauffer Chemical Company (which are identified on Schedule 4 to the U.S. Environmental Matters Agreement). AstraZeneca and Syngenta further agreed as between themselves to allocate to Syngenta any such claims received after August 31, 2000, except as otherwise agreed with respect to AstraZeneca and Syngenta Sites (as defined in the U.S. Environmental Matters Agreement).

In general the parties are not obliged to indemnify each other against liabilities to the extent that the loss is recovered under an insurance policy or an agreement with a third party.

The obligations of the AstraZeneca affiliates and the Syngenta affiliates pursuant to this agreement were guaranteed by AstraZeneca and Syngenta respectively.

***Tax Deed between Novartis and Syngenta***

Novartis and Syngenta entered into an agreement dated September 12, 2000 pursuant to which Novartis agreed, subject to certain limitations, to indemnify Syngenta and Syngenta agreed, subject to certain limitations, to indemnify Novartis in relation to tax liabilities on the following basis:

- Novartis assumed and will be responsible for all tax liabilities arising out of or connected to the Novartis business (excluding Novartis agribusiness) and the reorganization of the Novartis group for the purpose of separating the Novartis non-agrochemicals business, except to the extent attributable to a Syngenta specified event as described below.

- Syngenta assumed and will be responsible for all tax liabilities arising out of or connected to the Novartis agribusiness or a Syngenta specified event, including the following events:

  (1) Syngenta filing any tax documents which include asset valuations which are inconsistent with asset valuations agreed between Novartis and Syngenta in respect of the reorganization of the Novartis group.

  (2) Any action by or matter arising from the business of the Syngenta group which results in a tax liability for any member of the Novartis group under the German Reorganization Tax Act.

  (3) Syngenta failing to continue the existence and active business operations of Novartis Agribusiness Holding Inc for purposes of Sections 355 and 368 of the U.S. Internal Revenue Code.

(4) Syngenta or certain of its subsidiaries engaging in, or entering into an agreement, arrangement, understanding or substantial negotiations with respect to, transactions involving the issuance, transfer, sale, redemption or repurchase of shares or options outside the Syngenta group during the two year period following completion (including shares issued in connection with a merger or similar combination, but expressly excluding share transactions relating to the global offering and the share repurchase program during the 10 day period immediately after completion).

Other than indemnities which relate to any tax liabilities set out in the tax documents filed for any accounting period of a Novartis group company which commenced prior to completion and ended following completion, Novartis and Syngenta agreed that neither party will have to indemnify the other party for a tax liability to the extent that:

- A provision or reserve in respect of that tax liability is reflected on the balance sheet of such other party;
- A claim in respect of that tax liability does not exceed U.S.$500,000; or
- (other than in respect of a Canadian tax liability or a straddle period liability) in respect of a Novartis tax liability the aggregate of all Novartis tax liabilities does not exceed U.S.$10 million and in respect of a Syngenta tax liability the aggregate of all Syngenta tax liabilities does not exceed U.S.$10 million.

Neither party shall have any liability for claims made after the sixth anniversary of the completion date, except for claims in relation to the U.S. tax liabilities where the time limit for making claims shall expire at the time when all statutes of limitation with respect to such U.S. taxes have expired.

The deed also provides, *inter alia*, for competent authority claims, the management of tax affairs and dispute resolution.

***Tax Deed between AstraZeneca and Syngenta***

Pursuant to an agreement dated September 12, 2000 between AstraZeneca and Syngenta, AstraZeneca covenanted to pay to Syngenta and Syngenta covenanted to pay to AstraZeneca amounts in relation to tax liabilities on the following basis:

- AstraZeneca assumed and will be responsible for all tax liabilities arising out of or connected to the AstraZeneca business (excluding Zeneca agrochemicals business), the reorganization of the AstraZeneca group for the purpose of separating the AstraZeneca healthcare business and other non-agrochemicals businesses from Zeneca agrochemicals business, the declaration of the dividend in kind of Syngenta shares, the capital contribution to Syngenta and the disallowance of interest relief (whether the disallowance is connected to Zeneca agrochemicals business or any other AstraZeneca business).
- Syngenta assumed and will be responsible for all tax liabilities arising out of or connected to Zeneca agrochemicals business or a Syngenta specified event. Each of the following events is a Syngenta specified event:

  (1) Syngenta filing any tax documents which include asset valuations which fail to reflect the asset valuations agreed between AstraZeneca and Syngenta in respect of the reorganization of the AstraZeneca group;

  (2) The doing of any act, matter or thing by any member of the Syngenta group which results in a tax liability for any member of the AstraZeneca group under the German Reorganization Tax Act;

  (3) For the purpose of determining responsibility for a tax liability arising in the United States, Syngenta breaching any representation made by it in the officer's certificate to be provided to external counsel to AstraZeneca; and

  (4) An acquisition for cash of more than one third of the voting rights in Syngenta or Zeneca Agrochemicals Zeta AG by one shareholder (or group of shareholders acting in concert) within five years of the master agreement between Novartis and AstraZeneca relating to the Transactions having been declared unconditional.

AstraZeneca and Syngenta agreed that neither party will covenant to pay the other party for an amount equivalent to any tax liability to the extent that:

- a provision or reserve in respect of that tax liability is reflected in the listing particulars of Syngenta;
- a payment of an amount equal to a tax benefit corresponding to that tax liability has been made under a competent authority claim;
- (other than in respect of a Canadian tax liability or a straddle period liability (that is a liability arising in the accounting period which commenced prior to the date the master agreement was declared unconditional and ended after that date)) a claim in respect of that tax liability does not exceed U.S.$500,000; and
- (other than in respect of a Canadian tax liability or a straddle period liability) in respect of an AstraZeneca tax liability the aggregate of all AstraZeneca tax liabilities does not exceed U.S.$10 million and in respect of a Syngenta tax liability the aggregate of all Syngenta tax liabilities does not exceed U.S.$10 million.

Neither party shall have any liability for claims for loss made after the sixth anniversary of the date the master agreement becomes unconditional, except for claims in relation to the U.S. tax liabilities where the time limit for making claims shall expire at the time when all statutes of limitation with respect to such U.S. taxes have expired.

The deed also provides, *inter alia*, for competent authority claims, the management of tax affairs dispute resolution and tax refunds.

***Intellectual Property Agreements between Novartis AG and/or its affiliates and Syngenta and between AstraZeneca UK Limited (a subsidiary of AstraZeneca) and Zeneca Limited (a subsidiary of Syngenta)***

The overlap of intellectual property between the non-agribusiness of Novartis and the healthcare and other non-agrochemical businesses of AstraZeneca, and the business carried on by Syngenta, is reasonably limited. Arrangements therefore were put in place whereby:

- Syngenta (or its relevant affiliate as the case may be) will own all relevant intellectual property that is exclusive to or predominantly relates to its business.

- Syngenta (or its relevant affiliate as the case may be) will be licensed relevant intellectual property pertaining to the business of Syngenta that it shares with Novartis or AstraZeneca where Novartis or AstraZeneca is the main/predominant user of that intellectual property; in particular, the use of the Zeneca and Novartis house marks and domain names will be licensed to Syngenta or their relevant affiliates.

- Syngenta (or its relevant affiliate as the case may be) will license to Novartis or AstraZeneca certain shared intellectual property pertaining to the businesses of Novartis and AstraZeneca after the completion of the transactions where Syngenta (or its relevant affiliate) is the main/predominant user of that intellectual property.

Licenses (other than the license of the Zeneca or Novartis house mark and domain names) are worldwide, exclusive in the field, royalty free and perpetual. The licenses of the Novartis house mark and domain names are exclusive in the agribusiness field, royalty-free and expire three years after the date of the completion of the transactions. The licenses of the Zeneca house mark and domain names are exclusive in the agrochemicals field, royalty free and expire on January 4, 2005.

***Pension Transfer Agreement***

Zeneca Pensions Trustee Limited, AstraZeneca, Zeneca Agrochemicals Pensions Trustee Limited and Zeneca Limited entered into the pension transfer agreement on August 2, 2000. Under this agreement, Zeneca Pensions Trustee Limited agreed with effect from July 1, 2000 to transfer to the Zeneca Agrochemicals Pension Fund (otherwise known as the Zeneca Agrochemicals Lifeplanner) and Zeneca Agrochemicals Pensions Trustee Limited as trustee of the Zeneca Agrochemicals Lifeplanner agreed to accept, assets and liabilities of the Zeneca Pension Fund (otherwise known as the Zeneca Lifeplanner) of which Zeneca Pensions Trustee Limited is the trustee.

Liabilities which may not be transferred under the terms of the agreement due to the operation of the contracting-out laws of the Pension Schemes Act 1993 are excluded from the agreement.

Under the terms of the agreement:

- those active members of the Zeneca Lifeplanner who consent to the transfer of liabilities in respect of them to the Zeneca Agrochemicals Lifeplanner and deferred and pensioner members of the Zeneca Lifeplanner will receive benefits on broadly the same terms as under the Zeneca Lifeplanner;

- the full amount transferred under the agreement will be paid to Zeneca Agrochemicals Pension Trustee Limited by March 31, 2001 or a later date agreed between Zeneca Agrochemicals Pension Trustee Limited and Zeneca Pensions Trustee Limited. However, prior to this, Zeneca Pensions Trustee Limited is to use its best endeavors to pay £30 million to Zeneca Agrochemicals Pensions Trustee Limited on account;

- the amount transferred will be adjusted in accordance with Schedule 3 of the agreement in respect of the period between July 1, 2000 and the date on which final payment is made. The amount transferred may also be adjusted to take into account matters which would have been taken into account by the actuary in calculating the transfer payment had he been aware of them;

- Zeneca Limited agrees to indemnify Zeneca Pension Trustees Limited for a proportion of the costs, liabilities and commitments which Zeneca Pension Trustees Limited incurs in performance of the agreement equal to the proportion of the Zeneca Lifeplanner which is to be transferred under the agreement. This indemnity does not apply in the case of a breach of trust by a director knowingly committed or, in the case of a nominated director a breach of trust carelessly committed and does not replace any liability for which AstraZeneca may have to reimburse Zeneca Pension Trustees in the event that Zeneca Limited fails to comply with this indemnity.

**Supplementary Agreements and Arrangements**

*Confidentiality and Supply of Information Agreement*

Novartis, AstraZeneca and Syngenta entered into the confidentiality and supply of information agreement on September 12, 2000. Under this agreement, the parties agreed to keep confidential information of the others which is not known to third parties and which is known by the parties due to the fact that the parties were previously part of the same group of companies or as a result of the transactions.

Confidential information may be disclosed solely;

- with the prior written consent of the party to whom it concerns;
- for internal use, to the extent contemplated by the separation agreements;
- to subsidiaries, employees, agents and representatives of the parties, provided that this is necessary for the purposes of the transactions and that the information is disclosed on a confidential basis;
- if it has been lawfully acquired from a third party who does not owe any duty of secrecy or confidentiality to the others under the agreement;
- if it is independently developed by the disclosing party; or
- if disclosure is required by law.

Under the terms of the agreement none of the parties accept liability for use of the confidential information. The parties agreed that they are not entitled to rely on the accuracy of the confidential information and that no party makes representations as to its accuracy.

The parties also agreed to retain records and copies of any confidential information that is not known to third parties and that is known by the parties due to the fact that the parties were previously part of the same group of companies or as a result of the transactions and to provide this information to each other if reasonably requested to do so by one of the other parties.

*Master Sharing Agreement*

Novartis and Syngenta entered into the master sharing agreement on September 12, 2000. AstraZeneca UK Limited (a subsidiary of AstraZeneca) and Zeneca Limited, which became a subsidiary of Syngenta, entered into a similar agreement on January 4, 2000. Under these agreements, the parties agreed to provide various services to each other following the completion of the transactions.

The price charged for the service provided may be agreed in each separate case but if no price is specified, for a period of six months from the completion of the transactions, the price will be the costs and expenses incurred in providing the service and thereafter the price will be agreed on the basis of a market rate. The term of the services will vary between services. Some services are of a transitional nature and will terminate within six months.

The liability of a provider of a service under this agreement is limited to the amount paid for the relevant service over the preceding twelve months and does not cover loss of profits or other indirect or consequential loss. These limitations do not apply in the case of loss or liability arising from death or personal injury due to the negligence of the provider, nor in the case of fraud, willful default or bad faith on the part of the provider.

*Directors' Indemnity Agreement for Prospectus Liability*

Nine Swiss law governed agreements dated September 12, 2000 were entered into between Novartis, AstraZeneca, Syngenta and each of Peggy Bruzelius, Sir David Barnes, Peter Doyle, Hans Kindler, Pierre Landolt, John Martin Taylor, Peter Thompson, Rolf Watter and Thomas Wellauer pursuant to which Novartis and AstraZeneca agreed jointly and severally to indemnify those individuals against liabilities and losses incurred by those individuals resulting from the contents of or omissions or alleged omissions from:

- the listing and shareholders documentation published by Syngenta, AstraZeneca or Novartis;
- the implementation of the listing of Syngenta's securities as described in such documentation; and
- any statements or actions made or taken consistent with such documentation,

in each case arising in respect of the period ending on the date of completion of the transactions which are the subject of the listing and shareholders' documentation published by Syngenta, Novartis and AstraZeneca.

The indemnity does not apply where the liability is incurred as a result of intentional misconduct, the gross negligence of the individual or his or her deliberate and unreasonable breach of duty or failure to act in his or her capacity as a director and does not apply to the extent that the director has recovered under any directors and officers liability insurance policy held by Novartis, AstraZeneca or Syngenta.

As between AstraZeneca and Novartis, it is agreed that they will bear any payments to be made as to:

- 100% by AstraZeneca, where the liability results from any of the sections in the listing and shareholders documentation attributable to AstraZeneca and identified in the agreements as such;
- 100% by Novartis where the liability results from any of the sections in the listing and shareholders documentation attributable to Novartis and identified in the agreements as such; and
- otherwise, 61% by Novartis and 39% by AstraZeneca.

Syngenta is a party to the agreements for the purpose only of agreeing to maintain directors and officers liability insurance cover in the future.

The following agreements are described above under "Item 5 – Operating and Financial Review and Prospects – Liquidity and Capital Resources – Financing Arrangements":

- ***Syndicated Facility Agreement***
- ***Club Facility Agreement***

Syngenta has also entered into the deposit agreement, dated as of November 13, 2000, between Syngenta and The Bank of New York, pursuant to which the Syngenta ADSs, each representing one-fifth of a Syngenta share, are issued.

## Exchange Controls

There are currently no Swiss laws, decrees or regulations restricting the import or export of capital or affecting the payment of dividends or other payments to holders of Syngenta shares or ADSs who are non-Swiss residents. There are no limitations relating only to non-Swiss persons under Swiss law or the Articles of Association of Syngenta on the right to be a holder of Syngenta shares or ADSs.

## Taxation

This taxation summary solely addresses the material Swiss and U.S. tax consequences to shareholders in connection with the acquisition and disposition of Syngenta shares. This summary does not discuss every aspect of taxation that may be relevant to a particular taxpayer under special circumstances or who is subject to special treatment under applicable law and is not intended to be applicable in all respects to all categories of investors. This summary also assumes that our business will be conducted in the manner outlined in this annual report. Changes in our organizational structure or the manner in which we conduct our business may invalidate this summary. The laws upon which this paragraph is based are subject to change, perhaps with retroactive effect. A change to these laws may invalidate the contents of this summary, which will not be updated to reflect changes in laws. **Prospective investors should consult their tax advisors regarding their particular personal tax consequences of acquiring, owning and disposing of shares.**

### Switzerland

The following is a summary of certain tax considerations relevant to the acquisition and disposition of the Syngenta shares under Swiss tax laws. The following summary does not purport to address all tax consequences of the ownership of Syngenta shares, and does not take into account the specific circumstances of any particular investor. This summary is based on the tax laws of Switzerland as in effect on the date hereof, which are subject to change (or changes in interpretation), possibly with retroactive effect.

#### *Withholding Tax on Dividends and Similar Distributions*

Dividends paid and other similar cash or in kind taxable distributions made by Syngenta to a holder of Syngenta shares (including dividends on liquidation proceeds and stock dividends) are subject to a Swiss withholding tax at a rate of 35%. The withholding tax will be withheld by Syngenta on the gross distributions and will be paid to the Swiss Federal Tax Administration.

*Swiss resident recipients.* Swiss resident individuals or legal entities are generally entitled to a full refund or tax credit for the withholding tax if they are the beneficial owners of such distributions at the time the distribution is due and duly report the receipt thereof in the relevant income tax return.

*Non-resident recipients.* The recipient of a taxable distribution from Syngenta who is an individual or a legal entity not resident in Switzerland for tax purposes may be entitled to a partial refund of the withholding tax if the country in which such recipient resides for tax purposes has entered into a bilateral treaty for the avoidance of double taxation with Switzerland and the further conditions of such treaty are met. Holders of Syngenta shares not resident in Switzerland should be aware that the procedures for claiming treaty benefits (and the time frame required for obtaining a refund) may differ from country to country. Holders of Syngenta shares not resident in Switzerland should consult their own legal, financial or tax advisors regarding receipt, ownership, purchase, sale or other dispositions of Syngenta shares and the procedures for claiming a refund of the withholding tax.

As of January 1, 2000, Switzerland had entered into bilateral treaties for the avoidance of double taxation with respect to income taxes with the following countries.

| | | | |
|---|---|---|---|
| Australia | Hungary | New Zealand | Trinidad and Tobago |
| Austria | Iceland | Norway | Tunisia |
| Belgium | India | Pakistan | United Kingdom |
| Bulgaria | Indonesia | Poland | United States of America |
| Canada | Ireland | Portugal | Venezuela |
| China | Italy | Romania | Vietnam |
| Croatia | Ivory Coast | Russia | |
| Czech Republic | Jamaica | Singapore | |
| Denmark | Japan | Slovakia | |
| Ecuador | Republic of Korea | Slovenia | |
| Egypt | Luxembourg | South Africa | |
| Finland | Malaysia | Spain | |
| France | Mexico | Sri Lanka | |
| Germany | Morocco | Sweden | |
| Greece | Netherlands | Thailand | |

*Residents of the U.S.* A non-resident holder who is a resident of the U.S. for purposes of the Treaty is eligible for a reduced rate of tax on dividends equal to 15% of the dividend, provided that such holder (i) qualifies for benefits under the Treaty and (ii) holds, directly and indirectly, less than 10% of our voting stock, (iii) does not conduct business through a permanent establishment or fixed base in Switzerland to which the shares or ADSs are attributable. Such an eligible holder must apply for a refund of the amount of the withholding tax in excess of the 15% treaty rate. The claim for refund must be filed on Swiss Tax Form 82 (82C for corporations; 82I for individuals; 82E for other entities), which may be obtained from any Swiss consulate general in the U.S. or from the Federal Tax Administration of Switzerland at the address below, together with an instruction form. Four copies of the form must be duly completed, signed before a notary public of the U.S., and sent to the Federal Tax Administration of Switzerland, Eigerstrasse 65, CH-3003 Berne, Switzerland. The form must be accompanied by suitable evidence of deduction of Swiss tax withheld at source, such as certificates of deduction, signed bank vouchers or credit slips. The form may be filed on or after July 1 or January 1 following the date the dividend was payable, but no later than December 31 of the third year following the calendar in which the dividend became payable.

In addition, negotiations have been completed for new double taxation treaties with Albania, Argentina, Belarus, Kazakhstan, Kuwait, Macedonia, Moldavia, Mongolia, the Philippines and Zimbabwe.

***Income and Profit Tax on Dividends and Similar Distributions***

*Individuals.* An individual who is a Swiss resident for tax purposes, or is a non-Swiss resident holding Syngenta shares as part of a Swiss business operation or Swiss permanent establishment, is required to report the receipt of taxable distributions received on the Syngenta shares in his relevant Swiss tax returns.

*Legal entities.* Legal entities resident in Switzerland or non-Swiss resident legal entities holding Syngenta shares as part of a Swiss establishment are required to include taxable distributions received on the Syngenta shares in their income subject to Swiss corporate income taxes. A Swiss corporation or co-operative or a non- Swiss corporation or co-operative holding Syngenta shares as part of a Swiss permanent establishment may, under certain circumstances, benefit from relief from taxation with respect to dividends (*Beteiligungsabzug*).

*Non resident recipients.* Recipients of dividends and similar distributions on shares who are neither residents of Switzerland for tax purposes nor hold Syngenta shares as part of a Swiss business operation or a Swiss permanent establishment are not subject to Swiss income taxes in respect of such distributions.

***Tax Treatment of Capital Gains Realized On Syngenta Shares***

*Individuals.* Swiss resident individuals who hold Syngenta shares as part of their private property generally are exempt from Swiss federal, cantonal and communal taxes with respect to capital gains realized upon the sale or other disposal of Syngenta shares, unless such individuals are qualified as security trading professionals for income tax purposes. Gains realized upon a repurchase of Syngenta shares by Syngenta for the purpose of the capital reduction are recharacterized as taxable distributions. The same is true for gains realized upon a repurchase of Syngenta shares if Syngenta were not to dispose of the repurchased shares within six years after the repurchase. Taxable income would be the difference between the repurchase price and the nominal value of the shares.

Individuals who are Swiss residents for tax purposes and who hold the Syngenta shares as business assets, or are non-Swiss residents holding Syngenta shares as part of a Swiss business operation or Swiss permanent establishment are required to include capital gains realized upon the disposal of Syngenta shares in their income subject to Swiss income tax.

*Legal entities*

Legal entities resident in Switzerland or non-Swiss resident legal entities holding Syngenta shares as part of a Swiss permanent establishment are required to include capital gains realized upon the disposal of Syngenta shares in their income subject to Swiss corporate income tax.

*Non resident individuals and legal entities.* Individuals and legal entities which are not resident in Switzerland for tax purposes and do not hold Syngenta shares as part of a Swiss business operation or a Swiss permanent establishment are not subject to Swiss income taxes on gains realized upon the disposal of the shares.

***Net Worth and Capital Taxes***

*Individuals*

Individuals who are Swiss residents for tax purposes, or are non-Swiss residents holding Syngenta shares as part of a Swiss business operation or Swiss permanent establishment are required to include their Syngenta shares in their wealth which is subject to cantonal and communal net worth tax.

*Legal entities*

Legal entities resident in Switzerland or non-Swiss resident legal entities holding Syngenta shares as part of a Swiss permanent establishment are required to include their Syngenta shares in their assets which are subject to cantonal and communal capital tax.

*Non resident individuals and legal entities.* Individuals and legal entities which are not resident in Switzerland for tax purposes and do not hold Syngenta shares as part of a Swiss business operation or a Swiss permanent establishment are not subject to Swiss cantonal and communal net worth and capital taxes.

***Gift and Inheritance Tax***

Transfers of Syngenta shares may be subject to cantonal and/or communal inheritance or gift taxes if the deceased or the donor or the recipient were resident in a Canton levying such taxes and in international circumstances if the applicable tax treaty were to allocate the right to tax to such Canton.

***Stamp Tax Upon Transfer of Securities (Umsatzabgabe)***

The transfer of the Syngenta shares after the completion of the transactions, whether by a Swiss resident or non-resident holder, may be subject to a Swiss securities transfer tax of 0.15% of the sales proceeds if the sale occurs through or with a Swiss bank or other professional securities dealer as defined in the Swiss Federal Stamp Tax Act. In addition to the security transfer tax, the sale of the Syngenta shares by or through a member of the SWX Swiss Exchange may be subject to a stock exchange levy of up to 0.02% of the sales proceeds (including the FBC surcharge).

**United States**

The following discussion is a summary of the material U.S. federal income tax considerations relevant to the ownership of Syngenta shares or Syngenta ADSs by a U.S. holder of Syngenta shares or Syngenta ADSs. For purposes of this discussion, U.S. holders are beneficial owners of Syngenta shares or ADSs that, for U.S. federal income tax purposes are (i) U.S. citizens or resident alien individuals, (ii) corporations organized in or under the laws of the United States or any political subdivision thereof, or (iii) otherwise subject to U.S. federal income tax on a net income basis with respect to such shares. This summary does not address all of the U.S. federal income tax considerations that may be relevant to the particular circumstances of a U.S. holder of Syngenta shares or Syngenta ADSs, and does not discuss any aspect of state, local or non-U.S. tax law. Moreover, this summary deals only with U.S. holders that will hold Syngenta shares or Syngenta ADSs as capital assets (generally, property held for investment), and it does not apply to U.S. holders that may be subject to special tax rules, such as banks, insurance companies, securities dealers, tax-exempt organizations, persons that hold Syngenta shares or Syngenta ADSs as part of an integrated investment (including a straddle), persons owning, directly, indirectly or constructively, 10% or more of the voting stock of Syngenta and persons whose "functional currency" is not the U.S. dollar. This summary is based on provisions of the U.S. Internal Revenue Code, Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, all as now in effect, and all of which are subject to change, possibly with retroactive effect, and to different interpretations. Shareholders should consult their own tax advisors as to the tax considerations relevant to the ownership of Syngenta shares or ADSs in light of their particular circumstances, including the effect of any state, local or non-U.S. laws.

***Distributions***

A distribution received by a U.S. holder in respect of Syngenta shares or Syngenta ADSs generally will be considered a taxable dividend to the extent paid out of Syngenta's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). In the event that a distribution by Syngenta exceeds the amount of such current and accumulated earnings and profits, the excess will be treated first as a nontaxable return of capital to the extent of the U.S. holder's tax basis in the Syngenta shares or Syngenta ADSs, and thereafter as capital gain.

The gross amount of any taxable dividend (including any amount withheld in respect of Swiss income taxes) will be subject to U.S. federal income tax as ordinary dividend income from sources outside the United States, and will not be eligible for the corporate dividends-received deduction. Taxable dividends paid in Swiss or other foreign currency will be included in a U.S. holder's gross income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date the dividend is received by the U.S. holder, in the case of Syngenta shares, or by the depositary, in the case of Syngenta ADSs. U.S. holders should consult their own tax advisors concerning the possibility of foreign currency gain or loss if any such Swiss or other foreign currency is not converted into U.S. dollars on the date of receipt.

Subject to certain conditions and limitations under U.S. federal income tax law, a U.S. holder will be eligible to claim a foreign tax credit for Swiss withholding taxes imposed on distributions by Syngenta in respect of its Syngenta shares or Syngenta ADSs. Alternatively, a U.S. holder may choose to deduct such Swiss withholding taxes in computing its U.S. federal taxable income (but only if such holder does not elect to claim a foreign tax credit in respect to any foreign income taxes paid or incurred for the taxable year). The U.S. federal income tax rules relating to foreign tax credits are extremely complex. U.S. holders should consult their own tax advisors concerning the availability of foreign tax credits based upon their particular situations.

***Dispositions***

Upon a sale or other taxable disposition of Syngenta shares or Syngenta ADSs, a U.S. holder will recognize gain or loss in an amount equal to the difference between the amount realized on the disposition and the U.S. holder's adjusted tax basis in the Syngenta shares or Syngenta ADSs. Such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the Syngenta shares or Syngenta ADSs were held for more than one year at the time of disposition. Certain non-corporate U.S. holders (including individuals) are eligible for preferential rates of U.S. federal income taxation in respect of long-term capital gains. The deduction of capital losses is subject to certain limitations under the U.S. Internal Revenue Code. Any gain recognized by a U.S. holder on a sale or other taxable disposition of Syngenta shares or Syngenta ADSs generally will be treated as derived from U.S. sources for U.S. foreign tax credit purposes.

***Backup Withholding and Information Reporting***

Backup withholding and information reporting requirements may apply to a U.S. holder with respect to distributions by Syngenta, or to the proceeds of a sale or redemption of Syngenta shares or Syngenta ADSs. Syngenta or any paying agent may be required to withhold tax from any such payment at a rate of 31% if the U.S. holder fails to furnish its correct taxpayer identification number, to certify that such holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules. Certain U.S. holders (including, among others, corporations) are not subject to the backup withholding requirements. Any amounts withheld under the backup withholding rules generally may be claimed as a credit against such holder's U.S. federal income tax liability provided that the required information is furnished to the IRS.

**Where You Can Find More Information**

We are subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended, upon effectiveness of a registration statement. Accordingly, we will file reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information and the registration statement and exhibits and schedules thereto may be inspected without charge at, and copies thereof may be obtained at prescribed rates from, the public reference facilities of the Commission's principal office at 450 Fifth Street, N.W., Washington, DC 20549, United States and at the Commission's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, United States and 7 World Trade Center, Suite 1300, New York, New York 10048, United States. The public may obtain information on the operation of the Commission's public reference facilities by calling the Commission in the United States at 1-800-SEC-0330. We do not file electronically with the SEC and, consequently, this report and other information we file with the SEC are not available on the website maintained by it at http://www.sec.gov/. Copies of reports, proxy statements and other information concerning us are also be available for inspection at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005, United States.

## ITEM 11 – QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

**Quantitative and Qualitative Disclosures about Market Risk**

As a result of its global operating and financial activities, Syngenta is exposed to market risk from changes in foreign currency exchange rates and interest rates as well as commodity risk. Syngenta group treasury actively manages the Company's exposures in foreign currency, interest rates and credit risk with the intention to optimise cash flows and earnings and to minimize earnings volatility. In accordance with its written Treasury Policy, which was approved by the Board of Directors, the Company manages its market risk exposures in a risk-averse approach through risk pooling, insurance schemes and, when deemed appropriate, through the use of derivative financial instruments. However, it is the policy of the Company not to enter into derivative transactions for speculative purposes or purposes unrelated to the operating business.

Group Treasury manages all financial risks of the Company and monitors risk exposures and open derivative transactions in accordance with Syngenta's Treasury Policy.

Sales and operating costs by currency for the year 2000 for Syngenta were as follows:

| *Currency* | *Sales in %* | *Operating costs in %* |
|---|---|---|
| U.S. dollar | 33% | 35% |
| Euro | 23% | 22% |
| Swiss franc | 2% | 21 % |
| Other | 42% | 22 % |
| **Total** | **100%** | **100%** |

Other currencies include over 38 currencies, however, none of them account for more than 10% of total sales or total operating costs. With the addition of the Zeneca agrochemicals business, our profile of sales and operating costs going forward will be different to that incurred in 2000. The major change will be that, as a result of the merger, operating costs in British pounds sterling will account for an estimated 14% of costs for Syngenta on a full year basis.

Fair values of open derivative instruments at December 31, 2000:

| *Instrument types* | *Notional amounts* | *Positive replacement values* | *Negative replacement values* |
|---|---|---|---|
| | *U.S.$ millions* | *U.S.$ millions* | *U.S.$ millions* |
| Interest rate instruments | 250.0 | 0.0 | 0.5 |
| Foreign currency instruments | 1'851.4 | 33.2 | 17.8 |

### *1. Market Risk due to Fluctuating Foreign Currency Exchange Rates*

Since its formation on November 13, 2000, Syngenta has adopted the U.S. dollar as its functional currency.

Committed foreign currency exposures are generally fully covered and are managed by the use of hedging instruments.

The Company collects information about expected cash flows for major currencies at Group level and, based on monthly forecasts and detailed analyses, hedges material mismatches in currency flows to reduce earnings volatility. Thereby, seasonal fluctuations are considered. The transactional flows and derivative financial instruments are followed on an ongoing basis and remaining currency exposures are closely monitored.

The Company's primary net foreign currency exposures against the U.S. dollar include the Swiss franc, the British pound sterling, the euro, the Brazilian real and the Japanese yen.

The U.S. dollar equivalent of foreign currency sales and purchases are sensitive to market fluctuations in foreign currency exchange rates. The Company analyses potential adverse exchange rate effects on sales and operating costs given the prevailing currency mix (see above table).

Syngenta applies value at risk calculations to its currency exposures to measure the maximum expected loss in value of its anticipated net transactional currency flows under normal market conditions. Net transactional flows are determined based on projected sales, operating and financial costs by currency. Value at Risk is calculated based on a historical simulation approach as applied by the RiskMetrics Group. The Company uses a 12-month holding period given its specific cash flow structure, payment terms and management processes.

The value at risk calculation is performed for anticipated net transactional currency flows for 2001 for the Company taking into account related currency hedges entered into. As of December 31, 2000, the total potential adverse movement for 2001 net transactional flows after hedges, at the 95% confidence level, will not exceed U.S.$47 million.

### *2. Market Risk Due to Fluctuating Interest Rates*

Syngenta is exposed to fluctuations in interest rates mainly through its net borrowing position. The Company has borrowings in U.S. dollars, Swiss francs, euros and various other currencies. The majority of the Company's net debt relates to short-term borrowings and variable interest rate risk. Long-term borrowings consist of fixed rate loans. The Company has entered into forward starting interest rate swaps in 2000 to reduce its net interest expense volatility and to hedge an anticipated bond issue against market rate movements until issue date.

The Company analyses its interest-bearing assets and liabilities with respect to the next interest repricing date and classifies all items into time intervals. Based on the prevailing fixed/floating ratio of net debt and the repricing structure of interest-bearing assets and liabilities at December 31, 2000, a 100 basis point increase in interest rates would have increased net interest expense by U.S.$16 million for the next 12 month period when keeping exchange rates unchanged.

### *3. Other Market Rrisk*

No significant exposures exist in commodities and equities held of third parties.

## PART II

### ITEM 13 – DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

### ITEM 14 – MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Syngenta did not receive any proceeds from the offering.

On November 10, 2000, the SEC declared effective our Registration Statement on Form F-1 (No. 333-12640), which we filed in connection with the secondary offering of 4,500,000 shares in the form of shares or ADSs. The offer commenced on the effective date. The joint global coordinators for the offering were Credit Suisse First Boston and UBS AG, acting through its business group UBS Warburg. The managers did not underwrite the offering on a firm commitment basis. In connection with the offering, we registered 4,500,000 shares for an aggregate offering price of CHF 382,500,000, all payable to the selling shareholders. All the shares offered were sold. We did not receive any proceeds in connection with the offering. We estimate that our expenses in connection with the exchange offer amounted to approximately U.S.$8,450,000, including SEC registration fees, stock exchange listing fees, fees payable to the National Association of Securities Dealers and accounting, legal, printing and other fees and expenses. We agreed to pay the managers a commission of CHF 1.70 per share sold, for an aggregate commission of CHF 7,650,000. None of these expenses involved direct or indirect payments to any of our officers, directors, shareholders owning more than 10% of any class of our equity securities or other affiliates.

## PART III

### ITEM 17 – FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of responding to this item.

### ITEM 18 – FINANCIAL STATEMENTS

The following financial statements, together with the Report of the Group Auditors thereon of March 19, 2001, are filed as part of this annual report:

## ITEM 19 – EXHIBITS

The following documents are exhibits to this annual report.

| Exhibit Number | Description of Document |
|---|---|
| 1.1 | English Translation of the articles of incorporation (*Satzung*) of Syngenta AG* |
| 2.1 | Deposit Agreement between The Bank of New York and Syngenta AG |
| 4.1 | Indemnity Matters Agreement dated September 12, 2000 between AstraZeneca PLC and Syngenta AG* |
| 4.2 | Indemnity Matters Agreement dated September 12, 2000 between Novartis AG and Syngenta AG* |
| 4.3 | Public Documentation and Securities Offering Contribution Agreement dated September 12, 2000 among Novartis AG, AstraZeneca PLC and Syngenta AG* |
| 4.4 | Environmental Matters Agreement dated September 12, 2000 between Syngenta AG and AstraZeneca PLC* |
| 4.5 | Environmental Matters Agreement dated September 12, 2000 between Syngenta AG and Novartis AG* |
| 4.6 | Environmental Matters Agreement dated September 12, 2000 among Zeneca AG Products Holdings Inc. and Zeneca Holdings Inc. and Stauffer Management Company* |
| 4.7 | Environmental Matters Agreement dated September 12, 2000 between Syngenta Crop Protection Inc., Novartis Corporation and Novartis Agribusiness Holding, Inc.* |
| 4.8 | Tax Deed dated September 12, 2000 between Novartis AG and Syngenta AG* |
| 4.9 | Tax Deed dated September 12, 2000 between AstraZeneca PLC and Syngenta AG* |
| 4.10 | Assignment of Intellectual Property Rights Excluding Rights in Software dated January 4, 2000 between Zeneca Limited and AstraZeneca UK Limited* |
| 4.11 | Assignment of Intellectual Property Rights in Software dated January 4, 2000 between Zeneca Limited and AstraZeneca UK Limited* |
| 4.12 | License of Intellectual Property Rights Excluding Rights in Trade Marks and Software dated January 4, 2000 between AstraZeneca UK Limited and Zeneca Limited* |
| 4.13 | License of Intellectual Property Rights Excluding Rights in Trade Marks and Software dated January 4, 2000 between Zeneca Limited and AstraZeneca UK Limited* |
| 4.14 | Trade Mark License dated January 4, 2000 between AstraZeneca UK Limited and Zeneca Limited* |
| 4.15 | Software License dated January 4, 2000 between AstraZeneca UK Limited and Zeneca Limited* |
| 4.16 | General Principles for the Separation of Intellectual Property between Novartis and Novartis Agribusiness (Syngenta)* |
| 4.17 | Pension Transfer Agreement dated August 2, 2000 among Zeneca Pensions Trustee Limited, AstraZeneca PLC, Zeneca Agrochemicals Pensions Trustee Limited and Zeneca Limited* |
| 4.18 | Confidentiality and Supply of Information Agreement dated September 12, 2000 among Novartis AG, AstraZeneca PLC and Syngenta AG* |
| 4.19 | Master Sharing Agreement dated September 12, 2000 between Novartis AG and Syngenta AG* |
| 4.20 | Master Sharing Agreement dated September 12, 2000 between AstraZeneca UK Limited and Zeneca Limited* |
| 4.21 | Syndicated Facility Agreement dated September 7, 2000 among Syngenta AG as Original Borrower and Guarantor, Citibank, N.A., Credit Suisse First Boston and HSBC Investment Bank plc as Lead Arrangers, HSBC Investment Bank plc as Agent, HSBC Bank USA as Swingline Agent and Citibank, N.A., Credit Suisse First Boston and HSBC Bank plc as Banks* |

| | |
|---|---|
| 4.22 | Club Facility Agreement dated September 7, 2000 among Syngenta AG as Original Borrower and Guarantor, Citibank, N.A., Credit Suisse First Boston and HSBC Investment Bank plc as Lead Arrangers, HSBC Investment Bank plc as Agent and Citibank, N.A., Credit Suisse First Boston and HSBC Bank plc as Banks* |
| 4.23 | Option Agreement dated November 10, 2000 among Syngenta AG, Novartis Holding AG, Novartis Research Foundation, Novartis Employee Participation Foundation, Credit Suisse First Boston (Europe) Limited, UBS AG, acting through its business group UBS Warburg, and the other Managers named therein** |
| 8.1 | Subsidiaries of Syngenta AG‡ |

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* Exhibits incorporated by reference to the Registration Statement on Form F-4 filed September 12, 2000 (File No. 333-125222)

** Exhibits incorporated by reference to Amendment No. 3 to the Registration Statement on Form F-1 filed November 8, 2000 (File No. 333-12640)

‡ The subsidiaries of Syngenta are set forth in Note 31 to the consolidated financial statements in the annual report.

## Syngenta AG

### Index to Consolidated Financial Statements

**Report of the Group Auditors**

To the Board of Directors and Shareholders of

**Syngenta AG**

As joint Group Auditors, we have audited the accompanying consolidated financial statements (consolidated income statement, balance sheet, cash flow statement, statement of changes in equity and notes) of Syngenta AG as of December 31, 2000 and for the year then ended. The financial statements as of and for the years ended December 31, 1999 and 1998 were audited by PricewaterhouseCoopers AG whose report dated August 11, 2000 expressed an unqualified opinion on those financial statements.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the Swiss legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, and with the International Standards on Auditing issued by the International Federation of Accountants (IFAC), and the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Syngenta AG as of December 31, 2000 and the results of operations and the cash flows for the year then ended in accordance with International Accounting Standards and comply with Swiss law.

International Accounting Standards vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of the net income of Syngenta AG for the year ended December 31, 2000 and shareholders' equity as of December 31, 2000 to the extent summarized in note 32 to the consolidated financial statements.

| | |
|---|---|
| PricewaterhouseCoopers AG | KPMG Fides Peat |
| Ulrich Vogt Gerd Tritschler | Bruce A. Mathers Erik F. J. Willems |
| Basel, March 19, 2001 | Zurich, March 19, 2001 |

**Report of the Group Auditors**

To the Board of Directors and Shareholders of

**Syngenta AG**

As Group Auditors of Syngenta, we have audited the accompanying consolidated financial statements (consolidated balance sheets, income statements, cash flow statements, statement of changes in equity and notes) of Syngenta AG as of December 31, 1999 and 1998 and for each of the years in the two-year period ended December 31, 1999.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We confirm that we meet the Swiss legal requirements concerning professional qualification and independence.

Our audits were conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing issued by the International Federation of Accountants (IFAC) and auditing standards generally accepted in the United States of America. Those standards require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position, the results of operations and the cash flows in accordance with International Accounting Standards (IAS) and comply with Swiss law.

International Accounting Standards vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of the net income of Syngenta AG for each of the years ended December 31, 1999 and 1998 and shareholders' equity as of December 31, 1999 and 1998 to the extent summarized in note 32 to the consolidated financial statements.

PricewaterhouseCoopers AG

Ulrich Vogt　　Gerd Tritschler

Basel, August 11, 2000

**Consolidated Income Statement**
(for the years ended December 31, 2000, 1999 and 1998)

| **(US$ million, except per share amounts)** | **Notes** | **2000** | **1999** | **1998** |
|---|---|---|---|---|
| **Sales** | 4/5 | **4,876** | **4,678** | **5,040** |
| Cost of goods sold | | (2,442) | (2,367) | (2,430) |
| **Gross profit** | | **2,434** | **2,311** | **2,610** |
| Marketing & distribution | | (989) | (977) | (1,100) |
| Research & development | | (537) | (488) | (466) |
| General & administrative | | (364) | (330) | (333) |
| Merger and restructuring costs, net of divestment gains | 6 | 456 | (67) | 15 |
| **Operating income** | | **1,000** | **449** | **726** |
| Income from associates | 15 | (1) | 5 | 3 |
| Financial expense, net | 7 | (85) | (129) | (185) |
| **Income before taxes and minority interests** | | **914** | **325** | **544** |
| Income tax expense | 8 | (340) | (185) | (240) |
| **Income before minority interests** | | **574** | **140** | **304** |
| Minority interests | | (10) | (5) | (5) |
| **NET INCOME** | | **564** | **135** | **299** |
| Basic and diluted earnings per share (US$) | **9** | **7.61** | **1.97** | **4.35** |

The accompanying notes form an integral part of the consolidated financial statements

**Consolidated Balance Sheet**

(at December 31, 2000, 199 and 1998)

| (US$ million) | Notes | 2000 | 1999 | 1998 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | | 756 | 111 | 125 |
| Trade and other accounts receivable | 10 | 2,304 | 1,672 | 1,694 |
| Other current assets | 11 | 163 | 50 | 47 |
| Inventories | 12 | 1,921 | 1,734 | 1,999 |
| **Total current assets** | | **5,144** | **3,567** | **3,865** |
| **Non-current assets** | | | | |
| Property, plant and equipment | 13 | 2,649 | 1,560 | 1,699 |
| Intangible assets | 14 | 2,978 | 910 | 1,004 |
| Investments in associates and joint ventures | 15 | 112 | 107 | 97 |
| Deferred tax assets | 16 | 639 | 309 | 307 |
| Other financial assets | 17 | 293 | 140 | 102 |
| **Total non-current assets** | | **6,671** | **3,026** | **3,209** |
| **TOTAL ASSETS** | | **11,815** | **6,593** | **7,074** |
| **LIABILITIES AND EQUITY** | | | | |
| **Current liabilities** | | | | |
| Trade accounts payable | | (637) | (306) | (293) |
| Current financial debts | 18 | (3,085) | (2,221) | (2,433) |
| Income tax and other taxes payable | | (336) | (88) | (97) |
| Other current liabilities | 19 | (1,013) | (600) | (728) |
| Provisions | 21 | (286) | (63) | (85) |
| **Total current liabilities** | | **(5,357)** | **(3,278)** | **(3,636)** |
| **Non-current liabilities** | | | | |
| Non-current financial debts | 20 | (100) | (80) | (77) |
| Deferred tax liabilities | 16 | (1,270) | (292) | (294) |
| Other non-current liabilities | | (84) | (24) | (45) |
| Provisions | 21 | (693) | (361) | (358) |
| **Total non-current liabilities** | | (2,147) | (757) | (774) |
| **Total liabilities** | | (7,504) | (4,035) | (4,410) |
| **Minority interests** | | (101) | (77) | (76) |
| **Total equity** | | (4,210) | (2,481) | (2,588) |
| **TOTAL LIABILITIES AND EQUITY** | | **(11,815)** | **(6,593)** | **(7,074)** |

The accompanying notes form an integral part of the consolidated financial statements

**Consolidated Cash Flow Statement**

(for the years ended December 31, 2000, 1999 and 1998)

| (US$ million) | Notes | 2000 | 1999 | 1998 |
|---|---|---|---|---|
| **Net income** | | 564 | 135 | 299 |
| Reversal of non-cash items: | | | | |
| Minority interests | | 10 | 5 | 5 |
| Income tax expense | 8 | 340 | 185 | 240 |
| Charges in respect of provisions | 21 | 358 | 67 | 3 |
| Depreciation, amortization and impairment on : | | | | |
| Property, plant and equipment | 13 | 208 | 175 | 161 |
| Intangible assets | 14 | 105 | 84 | 77 |
| Income from associates | 15 | 1 | (5) | (3) |
| Divestment gains | 6 | (785) | - | (18) |
| Net financial expense | 7 | 85 | 129 | 185 |
| Interest and other financial receipts | | 21 | 6 | 8 |
| Interest and other financial payments | | (103) | (139) | (196) |
| Taxes paid | | (170) | (185) | (248) |
| **Cash flow before working capital changes** | | 634 | 457 | 513 |
| Payments in respect of provisions | 21 | (179) | (48) | (90) |
| Change in net current assets and other operating cash flows | 23 | 155 | 209 | (173) |
| **Cash flow from operating activities** | | 610 | 618 | 250 |
| Additions to property, plant and equipment | 13 | (185) | (185) | (201) |
| Proceeds from divested assets | 24 | 825 | - | 56 |
| Proceeds from disposals of property, plant and equipment | | 50 | 27 | 18 |
| Purchase of intangibles, investments in associates and other financial assets | | (52) | (78) | (93) |
| Proceeds from disposals of intangible and financial assets | | 20 | 32 | 4 |
| Business acquisitions (net of liquidity acquired) | 24 | 387 | (39) | (161) |
| Acquisition of minorities | | - | (40) | -- |
| **Cash flow used for investing activities** | | 1,045 | (283) | (377) |
| Net change in Novartis interest-bearing debt | | (1,371) | (321) | 173 |
| Increases in other third party interest-bearing debt | | 2,436 | 74 | 131 |
| Repayment of third party interest-bearing debt | | (1,258) | (82) | (39) |
| Purchase of treasury stock | | (524) | - | - |
| Equity issuance cost | 6, 21 | (68) | - | - |
| Net transfers to Novartis other than in respect of interest- | | (183) | (21) | (38) |
| **Cash flow from / (used for) financing activities** | | (968) | (350) | 227 |
| Net effect of currency translation on cash and cash | | (42) | 1 | 14 |
| **Net change in cash and cash equivalents** | | 645 | (14) | 114 |
| **Cash and cash equivalents at the beginning of the year** | | 111 | 125 | 11 |
| **Cash and cash equivalents at the end of the year** | | 756 | 111 | 125 |

The accompanying notes form an integral part of the consolidated financial statements

**Consolidated Statement of Changes in Equity**
(for the years ended December 31, 2000, 1999 and 1998)

| (US$ million) | Ordinary Shares Number of Shares | Ordinary Shares Par Value | Additional Paid-In Capital | Treasury Stock, at cost | Retained Earnings | Novartis Net Investment | Cumulative Translation Adjustment | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|
| **December 31, 1997** | | | | | | **2,281** | **(103)** | **2,178** |
| Change in accounting policy on deferred tax | | | | | | 44 | | 44 |
| Net income | | | | | | 299 | | 299 |
| Translation adjustment | | | | | | | 105 | 105 |
| Net transfers to Novartis | | | | | | (38) | | (38) |
| **December 31, 1998** | | | | | | **2,586** | **2** | **2,588** |
| Change in accounting policy on employee benefits (1) | | | | | | 9 | | 9 |
| Net income | | | | | | 135 | | 135 |
| Translation adjustment | | | | | | | (230) | (230) |
| Net transfers to Novartis | | | | | | (21) | | (21) |
| **December 31, 1999** | | | | | | **2,709** | **(228)** | **2,481** |
| Net income prior to separation | | | | | | 315 | | 315 |
| Net transfers to Novartis | | | | | | (183) | | (183) |
| Contribution to capital of remaining Novartis net investment, as of separation | 69 | 407 | 2,434 | | | (2,841) | | - |
| Issuance of shares of common stock, in consideration for Zeneca agrochemicals business | 44 | 260 | 1,685 | | | | | 1,945 |
| Purchase of treasury stock | (11) | | | (524) | | | | (524) |
| Net income after separation | | | | | 249 | | | 249 |
| Translation adjustment | | | | | | | (73) | (73) |
| **December 31, 2000** | **102** | **667** | **4,119** | **(524)** | **249** | **-** | **(301)** | **4,210** |

The accompanying notes form an integral part of the consolidated financial statements

Total recognized gains and losses, representing the total of net income and translation effects for the years ended December 31, 2000, 1999 and 1998 were US$491 million, US$(95) million, and US$404 million, respectively.

**Consolidated Statement of Changes in Equity (continued)**

[1] This consists of the following:

| (US$ million) | 1999 |
|---|---|
| Unrecognized funded pension surpluses | 36 |
| Additional unfunded pension deficits | (31) |
| **Net increase in pension plan assets** | **5** |
| Previously unrecognized gains from unfunded post-retirement benefit plans | 14 |
| Deferred tax | (1) |
| Minority interest | (9) |
| **Net increase in equity at January 1, 1999** | **9** |

If Syngenta had adopted revised IAS 19 as of January 1, 1998, the pro forma effect on the consolidated income statement would not have been material.

The issued share capital consists of 112,564,584 registered shares with a nominal value of CHF 10 each. The additional paid-in capital is, to the extent of 20% of the share capital of US$667 million, not available for distribution.

## 1. Basis of preparation of the consolidated financial statements

### Nature of operations

Syngenta AG ("Syngenta") is a world leading crop protection and seeds business that is involved in the discovery, development, manufacture and marketing of a range of agricultural products designed to improve crop yields and food quality.

### Basis of presentation of the consolidated financial statements

Syngenta is headquartered in Basel, Switzerland and was formed by Novartis AG ("Novartis") and AstraZeneca PLC ("AstraZeneca") through an agreement to spin-off and merge the Novartis Crop Protection and Seeds businesses with the Zeneca agrochemicals business to create a dedicated agribusiness company whose shares were then the subject of a global offering (the "Transactions"). Following the Transactions, Syngenta has operated as an independent company. As used herein, references to Novartis agribusiness include the historical operating results and activities of the Novartis Crop Protection and Seeds businesses and operations until November 13, 2000, the date of legal separation (the "Separation Date"), upon which date Syngenta began operations as an independent company.

For periods prior to the Separation Date, the consolidated financial statements reflect the historical results of operations and cash flows of Novartis agribusiness. Up to the Separation Date, certain expenses reflected in the consolidated financial statements include an allocation of corporate expenses by Novartis for general and administrative services, including finance, legal, information technology, personnel benefits, and facilities (see Note 27). Such expenses were allocated based on sales. Management believes that the foregoing allocations were made on a reasonable basis; however the allocations of costs and expenses do not necessarily indicate the costs that would have been or will be incurred by Syngenta on a stand-alone basis. In addition, the financial statements may not necessarily reflect what the financial position, results of operations and cash flows of Syngenta will be in the future or what the financial position, results of operations or cash flows would have been if Syngenta had been a separate stand-alone company during the periods presented prior to the Separation Date.

The merger of Novartis agribusiness and Zeneca agrochemicals business has been accounted for as a purchase business combination. The assets acquired and liabilities assumed from AstraZeneca for Zeneca agrochemicals business have been included at their estimated fair value on the Separation Date. The results of operations and cash flows attributable to Zeneca agrochemicals business for the period from the Separation Date to the end of the fiscal year 2000 have been included in the consolidated financial statements.

In order to provide tax free treatment to the majority of Novartis and AstraZeneca shareholders, the separation of Novartis agribusiness and Zeneca agrochemicals business from their previous parent organizations ("the Demerger") was consummated through spin-off transactions. At the completion of the Transactions, Novartis and AstraZeneca shareholders owned approximately 61% and 39%, respectively, of Syngenta's outstanding common stock.

Following the Transactions, Syngenta will continue to have relationships with Novartis and AstraZeneca as a result of various separation agreements entered into in connection with the demerger of the respective businesses (see Note 27).

## 2. Accounting policies

Syngenta's consolidated financial statements are prepared in accordance with the historical cost convention and comply with the standards formulated by the International Accounting Standards Committee (IASC). These principles differ in certain significant respects from generally accepted accounting principles in the United States ("US GAAP"). Application of US GAAP would have affected shareholders' equity and net income for the years ended December 31, 2000, 1999 and 1998 as detailed in Note 32 to the consolidated financial statements.

The consolidated financial statements are presented in United States dollars ("US$"or "US dollars") as this is the major currency in which revenues are denominated.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

### Scope of consolidation

The consolidated financial statements include all operations and net assets which were transferred from Novartis, and all the operations and net assets acquired from AstraZeneca from the Separation Date, as described in Note 1.

### Principles of consolidation

The annual closing date of the consolidated financial statements is December 31.

The consolidated financial statements incorporate the financial statements of Syngenta AG, a company domiciled in Switzerland and all of its subsidiaries (together referred to as "Syngenta") and Syngenta's interest in associates and joint ventures.

*Subsidiaries*
Subsidiaries are those entities in which Syngenta has an interest of more than one half of the voting rights or otherwise has power to exercise control. Control exists when Syngenta has the power, indirectly or directly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Companies acquired or disposed of during the period are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

*Associates and Joint Ventures*
Associates are those enterprises in which Syngenta has significant influence, but not control, over the financial and operating policies and in which Syngenta generally has an equity investment of between 20% and 50%. Joint ventures are those enterprises over whose activities Syngenta has joint control, established by contractual agreement. The consolidated financial statements include Syngenta's share of the total recognized gains and losses of associates and joint ventures on an equity accounted basis, from the date that significant influence or joint control commences until the date that significant influence ceases.

*Other investments*
All other minority investments held by Syngenta are included at their acquisition cost less any impairment in value.

*Transactions eliminated on consolidation*
Intercompany income and expenses, including unrealized profits from internal Syngenta transactions, and intercompany receivables and payables have been eliminated.

**Revenue recognition**

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, which is usually on delivery to third parties, at a fixed and determinable price and when collectibility is reasonably assured. Revenue is reported net of sales taxes and rebates. Rebates to customers are provided for in the same period that the related sales are recorded based on the contract terms.

**Foreign currencies**

The consolidated financial statements are expressed in US dollars, however, the local currency has primarily been used as the reporting currency by each operating unit in its own local financial statements and for reporting its results to head office for consolidation purposes. Syngenta accounts for foreign currency translation in accordance with IAS 21 (revised) and IAS 29.

In the respective local financial statements, monetary assets and liabilities denominated in foreign currencies are translated at the rate prevailing at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into local currency at the foreign exchange rate ruling at the date of the transaction. Foreign currency transactions are translated to the relevant local currency at the exchange rate prevailing at the date of the transaction. All resulting foreign exchange transaction gains and losses are recognized in the local income statements.

Income, expense and cash flows of foreign operations included in the consolidated financial statements have been translated into US dollars using average exchange rates. The assets and liabilities of foreign operations, are translated to US dollars at foreign exchange rates prevailing at the balance sheet dates. Foreign exchange differences arising on these translations are recognised directly within equity.

The accounting records of operations in hyper-inflationary economies are prepared using a relatively stable currency (usually US dollars) as the functional currency. Where transactions are not initially recorded in the functional currency by the operation they are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated into foreign currencies at the balance sheet date are translated to the functional currency exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies which are stated at historical cost, are translated into the foreign currency at the foreign exchange rate ruling at the date of transaction. Foreign exchange differences arising on these translations are recognised in the income statement.

**Research and development**

Research and development expenses are fully charged to the income statement when incurred. Syngenta considers that the regulatory and other uncertainties inherent in the development of its key new products preclude it from capitalizing development costs. Laboratory buildings and equipment included in property, plant and equipment are depreciated over their estimated useful lives.

**Cash and cash equivalents**

Cash and cash equivalents include highly liquid investments with original maturities of three months or less, which are readily convertible to known amounts of cash.

**Trade and other accounts receivable**

The reported values represent the invoiced amounts, less adjustments for doubtful receivables.

**Inventories**

Purchased products are valued at acquisition cost while own-manufactured products are valued at manufacturing cost including related production expenses. In the balance sheet inventory is primarily valued at standard cost, which approximates to historical cost determined on a first-in-first-out basis, and this value is used for the cost of goods sold in the income statement. Allowances have been made for inventories with a lower market value or which are slow-moving. Unsaleable inventory has been fully written off.

**Property, plant and equipment**

Property, plant and equipment have been valued at acquisition or production costs and depreciated on a straight-line basis to the income statement, over the following estimated useful lives:

| | |
|---|---|
| Buildings | 20 to 40 years |
| Machinery and equipment | 10 to 20 years |
| Furniture and vehicles | 5 to 10 years |
| Computer hardware | 3 to 7 years |

Land is valued at acquisition cost except if held under long-term lease arrangements, when it is amortized over the life of the lease. The land held under long-term lease agreements relates to upfront payments to lease land on which certain of Syngenta's buildings are located. The buildings related to the long term lease agreements are being depreciated over the lesser of the life of the lease and that of the related assets. Additional costs, which extend the useful life of the property, plant and equipment, are capitalized. Financing costs associated with the construction of property, plant and equipment are not capitalized. Property, plant and equipment which are financed by leases giving rights to use the assets as if owned are capitalized at their estimated cost (at the lower of fair value and the present value of minimum lease payments) at the inception of the lease, and depreciated in the same manner as other property, plant and equipment.

**Intangible assets**

Intangible assets are valued at cost less accumulated amortization and any impairment losses. In the case of business combinations, the excess of the purchase price over the fair value of net identifiable assets acquired is recorded in the balance sheet as goodwill. Goodwill is amortized to income on a straight-line basis over its useful life and is included within General & administrative in the income statement. The amortization period is determined at the time of the acquisition, based upon the particular circumstances, reviewed annually and ranges from 5 to 20 years. Goodwill relating to acquisitions arising prior to January 1, 1995 has been fully written off against reserves.

Management determines the estimated useful life of goodwill based on its evaluation of the respective operations at the time of their acquisition, considering factors such as existing market share, potential sales growth and other factors inherent in the acquired companies.

Other acquired intangible assets are amortized on a straight-line basis over the following periods.

| | |
|---|---|
| Product rights and related supply agreements | 5 to 20 years |
| Trademarks | 10 to 20 years |
| Software | 3 years |
| Others | 3 to 5 years |

Trademarks are amortized on a straight line basis over their estimated economic or legal life, whichever is shorter. Useful lives assigned to acquired product rights are based on the maturity of the product and the estimated economic benefit that such product rights can provide.

Any value attributable to long-term supply agreements at preferential terms is amortized as part of cost of goods sold over the period of the supply agreement.

**Impairment**

Non-current assets, including recognized intangibles and goodwill, are reviewed at each balance sheet date to determine whether events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If any such indication exists, Syngenta estimates the asset's recoverable amount as the higher of net selling price and value-in-use and recognizes an impairment loss in the income statement for the amount by which the asset's carrying value exceeds its recoverable amount. Value-in-use is estimated as the present value of future cash flows expected to result from the use of the asset and its eventual disposal, to which an appropriate discount rate is applied. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Considerable management judgement is necessary to estimate discounted future cash flows. Accordingly, actual results could vary from such estimates.

From January 1, 2000 Syngenta has implemented IAS 36 'Impairment of Assets'. In accordance with IAS 36, asset impairments are recorded directly against the asset class to which they relate.

**Income taxes**

Income taxes for the year comprise current and deferred tax, using rates enacted or substantially enacted at the balance sheet date.

Current tax is the expected tax payable on the taxable income for the year and any adjustments to tax payable in respect of previous years. Deferred tax is recognised based on the balance sheet liability method, calculated on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced by a valuation allowance to the extent that it is not probable that the related tax benefit will be realized.

Adoption of IAS 12 (revised 1996) from January 1, 1998 resulted in a change in the recognition of deferred tax on unrealized intercompany profits. The impact of this change at January 1, 1998 has been credited directly to equity.

**Income statement presentation**

Certain amounts previously reported in the 1999 and 1998 financial statements have been reclassified to conform to the 2000 presentation in which Merger and restructuring costs, net of divestment gains, are now identified and reported separately from General & administrative.

**Dividends**

Cash dividends payable to holders of ordinary shares listed on the OM Stockholm Stock Exchange will be paid in Swedish Kronor. Cash dividends payable to holders of ordinary shares listed on the London Stock Exchange will be paid in UK pounds. Cash dividends payable to holders of American Depositary Shares listed on the New York Stock Exchange will be paid to the Bank of New York which will convert the dividends into US dollars at the rate of exchange applicable on the date such dividends are paid, for disbursement to such holders. Management does not anticipate the payment of any cash dividends until spring, 2002.

**Derivative financial instruments**

Syngenta uses various derivative financial instruments to manage its foreign currency exposures. Syngenta has established policies and procedures for risk assessment and approval, reporting and monitoring of financial derivative instruments.

Syngenta does not enter into speculative or derivative transactions not related to the operating business.

Foreign exchange forward contracts, which cover existing foreign currency balance sheet exposure, are recorded at fair value, and related unrealized foreign currency gains and losses are included in 'financial expense, net' within the income statement.

Fair value movements of financial instruments that hedge risks related to anticipated transactions are booked in the period when gains and losses on the corresponding underlying transactions are recognised. Realized and unrealized gains and losses on foreign currency forward contracts designated as specific hedges of anticipated purchases and sales in foreign currency are recognized in the same period that the foreign currency flows are recognized. Realized and unrealized gains and losses on forward starting interest rate swaps designated as hedges are recognized over the same period that the interest expense of the forecasted financing transactions is recognized in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss deferred at that time remains deferred. It is recognized when the committed or forecasted transaction is recognized in the income statement. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss which has been deferred, is immediately recorded in the income statement.

Syngenta documents the relationship between a hedging instrument and the related hedged item, as well as risk management objectives and the strategy for undertaking each hedge transaction, at the inception of the transactions. Hedge effectiveness is assessed and reviewed both at the inception of the hedge and on an ongoing basis by determining whether the financial instruments used are highly effective in offsetting changes in fair value or cash flows of hedged items.

IAS 39 'Financial Instruments : Recognition and Measurement' will become effective for Syngenta as of January 1, 2001. As a result, unrealized gains and losses on derivative financial instruments designated as hedges of anticipated transactions will be recorded as derivative assets or derivative liabilities in the balance sheet. The amount which will be included as cash flow hedge reserve in equity as of January 1, 2001 is approximately US$4 million on a pre-tax basis and approximately US$3 million on an after-tax basis.

The net unrecognized gain on hedges of anticipated transactions of US$4 million will be recognized in future income statements within a period of one month up to 12 months for foreign exchange cash flow hedges and up to 66 months for interest rate hedges.

**Provisions**

A provision is recognized in the balance sheet when Syngenta has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of discounting is material, provisions are determined by discounting the expected value of future cash-flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized only when reimbursement is virtually certain. The amount to be reimbursed is recognized as a separate asset. Where Syngenta has a joint and several liabilities with one or more other parties, no provision is recognised to the extent that those other parties are expected to settle part or all of the obligation.

*Environmental provisions*

Syngenta is exposed to environmental liabilities relating to its past operations, principally in respect of remediation costs. Provisions for non-recurring remediation costs are made when there is a present obligation, it is probable that expense on remediation work will be required and the cost can be estimated within a reasonable range of possible outcomes. The costs are based on currently available facts, technology expected to be available at the time of the clean-up, laws and regulations presently or virtually certain to be enacted and prior experience in remediation of contaminated sites. Environmental liabilities are recorded at the present value of the expenditures expected to be required to settle the obligation, unless the time value of money is considered immaterial, in which case the liability is recorded on an undiscounted basis.

*Restructuring provisions*

A provision for restructuring is recognized when Syngenta has approved a detailed and formal restructuring plan and the restructuring has either commenced or been announced publicly. Costs relating to the ongoing activities of Syngenta are not provided for.

**Pension fund, post-retirement benefits, other long-term employee benefits and employee share participation plans**

*(a) Defined benefit pension plans*

The liability in respect of defined benefit pension plans represents the defined benefit obligation calculated annually by independent actuaries using the projected unit credit method.

The defined benefit obligation is measured at the present value of the estimated future cash flows. The charge for such arrangements, representing the benefit expense less employee contributions, is included in the personnel expenses of the various functions where the employees are located. Plan assets are recorded at their fair values. Significant gains or losses arising from experience effects and changes in actuarial assumptions, are charged or credited to income over the service lives of the related employees to the extent to which they fall outside the 10% corridor permitted under IAS 19.

Where Syngenta employees participate in arrangements sponsored by Novartis AG, Syngenta's share of the defined benefit obligation, plan assets and unrecognised gains and losses have been included in the financial statements at December 31, 2000 at best estimates of Syngenta's share of the total plan and the amounts expected to be transferred to Syngenta. Actual amounts transferred could vary from such estimates. Up to the separation date these plans were accounted for as multi-employer plans since the Syngenta share of the assets still had to be determined. As a result, the contributions to these plans represent the pension expense for periods up to the separation date.

*(b) Post-retirement benefits other than pensions*
Certain operations provide healthcare and insurance benefits for a portion of their retired employees and their eligible dependents. The cost of these benefits is actuarially determined and included in the related function expenses over the employees' working lives. The related liability is included in non-current liabilities.

*(c) Other long-term employee benefits*
Other long-term employee benefits represent amounts due to employees under deferred compensation arrangements mandated by certain jurisdictions in which Syngenta conducts its operations. Benefits cost is recognized on an accrual basis in the personnel expenses of the various functions where the employees are located. The related obligation is accrued in other non-current liabilities.

*(d) Employee share participation plans*
No compensation cost is recognized in the financial statements for options or shares granted to employees from employee share participation plans.

*(e) Change in accounting policy*
With effect from January 1, 1999, Syngenta has adopted IAS 19 (revised 1998) relating to employee benefits. The most significant change is that the discount rate used to value the defined benefit obligation is now the current long-term rate at the balance sheet date instead of a long-term average interest rate. The transitional provisions of this Standard require that any unrecognized surpluses in the funded plans, using the appropriately revised actuarial assumptions, are recognized immediately. Furthermore, the new actuarial assumptions produced deficits in certain funds, which have also been recognized immediately.

As permitted by IAS, Syngenta has chosen to record the impact of this change in accounting policy, net of any deferred tax consequences, as a net credit to its equity at January 1, 1999. No restatement of prior year amounts has been made, as the amounts are not reasonably determinable.

**3. Changes in the scope of consolidation**

The following significant changes were made during 2000, 1999 and 1998:

**Acquisitions 2000**

With effect from November 13, 2000, Novartis agribusiness and Zeneca agrochemicals business were separated from their previous parent companies and merged to form Syngenta. The separations were treated as a spin-off transaction with the shareholders of Novartis and AstraZeneca receiving a proportional interest in Syngenta (61% and 39% respectively). Novartis shareholders and AstraZeneca shareholders received 69 million and 44 million shares of Syngenta, respectively.

The merger of Novartis agribusiness and Zeneca agrochemicals business has been accounted for as a purchase business combination with Novartis agribusiness considered to be the acquirer of Zeneca agrochemicals business for accounting purposes. The purchase price is determined as the number of Syngenta shares issued to AstraZeneca shareholders multiplied by the average trading price of those shares over the first five days of trading. Goodwill arising in the merger will be amortized over 20 years using the straight line method. The assets acquired and liabilities assumed from AstraZeneca for Zeneca agrochemicals business have been included at their estimated fair value on November 13, 2000. The acquired business contributed revenues of US$301 million and an operating loss before merger and restructuring costs, net of divestment gains, of US$14 million during the period from November 13, 2000 to December 31, 2000.

Details of the net assets acquired and goodwill are as follows:-

| **(US$ million)** | |
|---|---|
| **Purchase consideration:** | |
| - fair value of purchase consideration | 1,975 |
| - capital contribution received from AstraZeneca | (210) |
| **Net purchase consideration** | 1,765 |
| Less : fair value of net assets acquired: | (1,166) |
| **Goodwill (Note 14)** | **599** |

**Divestments 2000**

In connection with the Transactions, Syngenta agreed to divest certain products and product rights in order to obtain regulatory authorities' approval of the merger of Novartis agribusiness with Zeneca agrochemicals business. In 2000, completed divestments include the sale of the fungicide, *Flint*. Additional divestments will occur in 2001 (see note 33). 2000 sales in the period up to divestment were US$329 million for these products and products rights on a combined proforma basis. 2000 divestments produced net gains of US$785 million.

**Acquisitions 1999**

*Crop Protection*
On August 3, 1999 additional shares were acquired in Tomono Agrica K.K., Japan for US$21 million increasing Syngenta' shareholding to 50% from 33%. As a result of this additional purchase of shares and an agreement giving Syngenta management control, the entity is consolidated. Previously it had been treated as an investment accounted for under the equity method of accounting. Goodwill of US$ 12 million was recognized on this transaction. Sales have been included in operations since August 1999.

*Seeds*
On July 7, 1999 Syngenta acquired Eridania Béghin-Say seeds activities. This acquisition for US$19 million represents 91% of shares in these activities and includes the Spanish company, Koipesol Semillas as well as operations in Italy, France, Hungary and Poland. Goodwill of US$6 million was recognized on this transaction. Sales have been included in operations since the acquisition date.

**Acquisitions 1998**

*Crop Protection*
On September 1, 1998, Syngenta acquired a production plant and related operating assets from Oriental Chemicals Industries, South Korea for US$135 million. The acquisition was accounted for under the purchase method of accounting and the related goodwill was US$76 million. This goodwill is being amortized on a straight-line basis over 15 years based on the expected accelerated growth achieved as a result of the immediate control of sales and marketing and better positioning for the development of the new products in the Korean market, the 12th largest crop protection market in the world. In addition, Syngenta does not believe that actions by competitors would materially affect the estimated useful life of goodwill. Sales have been included in operations since the acquisition date.

*Seeds*
On October 27, 1998, American Sun Melon and the American Seedless Corporation were acquired for US$35 million. Goodwill of US$27 million was recognized on this transaction. Sales have been included in operations since the acquisition date.

Seoul Seeds Co. Ltd., Seoul, South Korea has been consolidated from January 1, 1998. Goodwill of US$41 million was recognized on this transaction and US$15 million of this goodwill remains in the balance sheet at December 31, 2000. Sales have been included in operations since the acquisition date.

**Divestments 1998**

*Crop Protection*

Effective April 30, 1998, SDS Biotech K.K., Tokyo, Japan was divested for US$61 million. 1998 sales in the period up to divestment were US$39 million. This transaction produced a gain of US$18 million.

**4. Segmental breakdown of key figures 2000, 1999 and 1998**

Syngenta is organized on a worldwide basis into two reporting segments and Corporate and other expenses. These segments, which are based on internal management accounts, are as follows:

*Crop Protection*
The Crop Protection segment principally manufactures, distributes and sells herbicides, insecticides, and fungicides.

*Seeds*
The Seeds segment sells seeds for growing corn, sugarbeet, oilseeds, vegetables and flowers.

*Corporate and other expenses*
This includes the costs of Syngenta headquarters and those of corporate coordination functions in major countries. In addition, it includes certain items of income and expense such as the cost of research into biotechnology which are not directly attributable to specific segments. No allocation of any of these amounts is made to the segments.

Net segment operating assets consist primarily of property, plant and equipment, intangible assets, inventories and receivables less operating liabilities. Corporate assets and liabilities principally consist of net debt (financial debts less cash and cash equivalents) and deferred and current taxes.

Revenues on intersegment sales are determined on an arm’s length basis. The accounting policies of the segments described above are the same as those described in the summary of accounting policies. Syngenta principally evaluates segment performance and allocates resources based on operating income.

Syngenta segments are businesses that offer different products. These segments are managed separately because they manufacture, distribute and sell distinct products which require differing technologies and marketing strategies.

**Segmental breakdown of key figures 2000, 1999 and 1998**

| 2000<br>(in US$ million except employees) | Crop Protection | Seeds | Corporate & other expenses | Total |
|---|---|---|---|---|
| **Third party segment sales** | **3,918** | **958** | | **4,876** |
| Cost of goods sold | (1,946) | (496) | | (2,442) |
| **Gross profit** | **1,972** | **462** | | **2,434** |
| Marketing & distribution | (754) | (235) | | (989) |
| Research & development | (312) | (103) | (122) | (537) |
| General & administrative | (192) | (105) | (67) | (364) |
| Merger and restructuring costs, net of divestment gains | 542 | | (86) | 456 |
| **Operating income** | **1,256** | **19** | **(275)** | **1000** |
| | | | | |
| Included in the above operating income are: | | | | |
| Personnel costs | (745) | (261) | (9) | (1,015) |
| Depreciation of property, plant and equipment | (146) | (32) | (8) | (186) |
| Amortization and impairment of intangible assets | (80) | (25) | | (105) |
| | | | | |
| **Total assets** | **8,928** | **1,069** | **1,818** | **11,815** |
| Liabilities and minority interests | (2,114) | (234) | (5,257) | (7,605) |
| **Total equity** | **6,814)** | **835** | **(3,439)** | **4,210** |
| Net debt | | | 2,429 | 2,429 |
| **Net operating assets** | **6,814** | **835** | **(1,010)** | **6,639** |
| | | | | |
| Included in total assets are: | | | | |
| Total property, plant and equipment | 2,398 | 230 | 21 | 2,649 |
| Additions to property, plant and equipment | 144 | 38 | 3 | 185 |
| Additions to intangible assets | 53 | 6 | | 59 |
| Total investments in associates and joint ventures | 77 | 35 | | 112 |
| **Employees at year end** | **18,301** | **6,385** | **235** | **24,921** |

**Segmental breakdown of key figures 2000, 1999 and 1998 (continued)**

| **1999**<br>**(in US$ million except employees)** | **Crop Protection** | **Seeds** | **Corporate & other expenses** | **Total** |
|---|---|---|---|---|
| **Third party segment sales** | **3,728** | **950** | | **4,678** |
| Cost of goods sold | (1,875) | (492) | | (2,367) |
| **Gross profit** | **1,853** | **458** | | **2,311** |
| Marketing & distribution | (740) | (237) | | (977) |
| Research & development | (303) | (117) | (68) | (488) |
| General & administrative | (175) | (62) | (93) | (330) |
| Merger and restructuring costs, net of divestment gains | (60) | (7) | | (67) |
| **Operating income** | **575** | **35** | **(161)** | **449** |
| | | | | |
| Included in the above operating income are: | | | | |
| Personnel costs | (651) | (241) | (6) | (898) |
| Depreciation of property, plant and equipment | (137) | (35) | (3) | (175) |
| Amortization of intangible assets | (75) | (9) | | (84) |
| Restructuring charges | (60) | (7) | | (67) |
| Trade accounts receivable write-downs from financial crises in Brazil, Russia and Ukraine | (41) | | | (41) |
| | | | | |
| **Total assets** | **4,937** | **1,169** | **487** | **6,593** |
| Liabilities and minority interests | (927) | (290) | (2,895) | (4,112) |
| **Total equity** | **4,010** | **879** | **(2,408)** | **2,481** |
| Net debt | | | 2,190 | 2,190 |
| **Net operating assets** | **4,010** | **879** | **(218)** | **4,671** |
| | | | | |
| Included in total assets are | | | | |
| Total property, plant and equipment | 1,290 | 245 | 25 | 1,560 |
| Additions to property, plant and equipment | 128 | 46 | 11 | 185 |
| Additions to intangible assets | 36 | 26 | | 62 |
| Total investments in associates and joint ventures | 74 | 33 | | 107 |
| **Employees at year end** | **10,987** | **6,374** | **93** | **17,454** |

**Segmental breakdown of key figures 2000, 1999 and 1998 (continued)**

| **1998**<br>**(in US$ million except employees)** | **Crop Protection** | **Seeds** | **Corporate & other expenses** | **Total** |
|---|---|---|---|---|
| **Third party sales of segment** | **4,037** | **1,003** | | **5,040** |
| Cost of goods sold | (1,916) | (514) | | (2,430) |
| **Gross profit** | **2,121** | **489** | | **2,610** |
| Marketing & distribution | (858) | (242) | | (1,100) |
| Research & development | (333) | (106) | (27) | (466) |
| General & administrative | (188) | (61) | (84) | (333) |
| Merger and restructuring costs, net of divestment gains | 15 | | | 15 |
| **Operating income** | **757** | **80** | **(111)** | **726** |
| | | | | |
| Included in the above operating income are: | | | | |
| Personnel costs | (702) | (236) | | (938) |
| Depreciation of property, plant and equipment | (126) | (34) | (1) | (161) |
| Amortization of intangible assets | (71) | (6) | | (77) |
| Restructuring charges | (3) | | | (3) |
| Trade accounts receivable write-downs from financial crises in Brazil, Russia and Ukraine | (129) | | | (129) |
| | | | | |
| **Total assets** | **5,492** | **1,144** | **438** | **7,074** |
| Liabilities and minority interests | (1,076) | (260) | (3,150) | (4,486) |
| **Total equity** | **4,416** | **884** | **(2,712)** | **2,588** |
| Net debt | | | 2,385 | 2,385 |
| **Net operating assets** | **4,416** | **884** | **(327)** | **4,973** |
| | | | | |
| Included in total assets are: | | | | |
| Total property, plant and equipment | 1,435 | 250 | 14 | 1,699 |
| Additions to property, plant and equipment | 145 | 44 | 12 | 201 |
| Total investments in associates and joint ventures | 82 | 15 | | 97 |
| Additions to intangible assets | 80 | 97 | | 177 |
| | | | | |
| **Employees at year end** | **11,014** | **5,619** | **90** | **16,723** |

**5. Regional breakdown of key figures 2000, 1999 and 1998**

| 2000 (in US$ million) | NAFTA[2] | Europe & AME[3] | Latin America | Asia Pacific | Total |
|---|---|---|---|---|---|
| Sales[1] | 1,690 | 1,747 | 641 | 798 | 4,876 |
| Total assets | 3,223 | 6,525 | 1,194 | 873 | 11,815 |
| Additions to property, plant and equipment | 59 | 98 | 13 | 15 | 185 |
| Additions to intangible assets | | 59 | | | 59 |

| 1999 (in US$ million) | NAFTA[2] | Europe & AME[3] | Latin America | Asia Pacific | Total |
|---|---|---|---|---|---|
| Sales[1] | 1,568 | 1,856 | 576 | 678 | 4,678 |
| Total assets | 1,693 | 3,472 | 687 | 741 | 6,593 |
| Additions to property, plant and equipment | 62 | 79 | 7 | 37 | 185 |
| Additions to intangible assets | 2 | 58 | | 2 | 62 |

| 1998 (in US$ million) | NAFTA[2] | Europe & AME[3] | Latin America | Asia Pacific | Total |
|---|---|---|---|---|---|
| Sales[1] | 1,727 | 2,149 | 603 | 561 | 5,040 |
| Total assets | 1,778 | 4,035 | 647 | 614 | 7,074 |
| Additions to property, plant and equipment | 49 | 121 | 18 | 13 | 201 |
| Additions to intangible assets | 32 | 71 | | 74 | 177 |

The following countries accounted for more than 5% of the respective Syngenta totals as at, or for the years ended, December 31, 2000, 1999 and 1998:

| Country | Sales[1] | | | | | | Additions to property, plant and equipment | | | | | | Total assets | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2000 | % | 1999 | % | 1998 | % | 2000 | % | 1999 | % | 1998 | % | 2000 | % | 1999 | % | 1998 | % |
| Switzerland | 96 | *2* | 91 | *2* | 103 | *2* | 34 | *18* | 40 | *21* | 69 | *34* | 3,654 | *31* | 2,483 | *38* | 3,028 | *43* |
| UK | 111 | *2* | 92 | *2* | 117 | *2* | 31 | *17* | 16 | *9* | 8 | *4* | 1,363 | *12* | 205 | *3* | 409 | *6* |
| USA | 1,446 | *30* | 1,358 | *29* | 1,536 | *31* | 58 | *31* | 60 | *32* | 46 | *23* | 3,048 | *26* | 1,615 | *24* | 1,707 | *24* |
| France | 469 | *10* | 493 | *11* | 577 | *11* | 6 | *3* | 16 | *9* | 14 | *7* | 553 | *5* | 438 | *7* | 462 | *7* |
| Brazil | 371 | *8* | 324 | *7* | 344 | *7* | 11 | *6* | 5 | *3* | 15 | *7* | 757 | *6* | 431 | *7* | 415 | *6* |
| Germany | 215 | *4* | 238 | *5* | 261 | *5* | 7 | *4* | 1 | *1* | 1 | *1* | 153 | *1* | 78 | *1* | 74 | *1* |
| Others | 2,168 | *44* | 2,082 | *44* | 2,102 | *42* | 38 | *21* | 47 | *25* | 48 | *24* | 2,287 | *19* | 1,343 | *20* | 979 | *13* |
| **Total** | **4,876** | ***100*** | **4,678** | ***100*** | **5,040** | ***100*** | **185** | ***100*** | **185** | ***100*** | **201** | ***100*** | **11,815** | ***100*** | **6,593** | ***100*** | **7,074** | ***100*** |

[1] Sales by location of third party customer.
[2] NAFTA - North American Free Trade Association comprising the U.S., Canada and Mexico.
[3] AME – Africa and the Middle East

No single customer accounts for 10% or more of Syngenta's total sales.

**6. Merger and restructuring costs, net of divestment gains**

Merger and restructuring costs, net of divestment gains, consist of the following :

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Merger costs | (68) | - | - |
| Restructuring costs for redundant operations and activities | (261) | (67) | (3) |
| Divestment gains | 785 | - | 18 |
| **Total** | **456** | **(67)** | **15** |

Merger costs comprise certain non-recurring costs associated with the Transactions, including legal costs (US$5 million), investment bankers' fees (US$13 million), other advisors fees (US$6 million), consultancy fees (US$9 million), communication costs (US$20 million) and other costs (US$ 15 million). These costs have been expensed as they relate to the initial listing of shares on stock exchanges.

Divestment gains of US$785 million in 2000 represent the net pre-tax gain on the disposal of products divested in response to competition authorities' requirements. Divestment gains of US$18 million in 1998 represent a one-off gain on the disposal of SDS Biotech K.K.

**7. Financial expense, net**

| (US$ million) | | 2000 | 1999 | 1998 |
|---|---|---|---|---|
| Interest income | | 43 | 5 | 6 |
| **Financial income** | | **43** | **5** | **6** |
| Interest expense | - third party | (53) | (12) | (14) |
| | - related party | (89) | (153) | (136) |
| Other financial expense | | (31) | (7) | (14) |
| **Financial expense** | | **(173)** | **(172)** | **(164)** |
| **Currency gains/(losses), net** | | **45** | **38** | **(27)** |
| **Total, net** | | **(85)** | **(129)** | **(185)** |

## 8. Income tax expense

Income before taxes and minority interests consists of the following:

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Switzerland | 620 | 140 | 238 |
| Foreign | 294 | 185 | 306 |
| **Total income before taxes and minority interests** | **914** | **325** | **544** |

Income tax expense consists of the following :

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| **Current income tax expense** | | | |
| Switzerland | (65) | (25) | (29) |
| Foreign | (274) | (151) | (145) |
| **Total current income tax expense** | **(339)** | **(176)** | **(174)** |
| **Deferred tax expense** | | | |
| Switzerland | 4 | (23) | (29) |
| Foreign | (5) | 14 | (37) |
| **Total deferred tax expense** | **(1)** | **(9)** | **(66)** |
| **Total income tax expense** | | | |
| Switzerland | (61) | (48) | (58) |
| Foreign | (279) | (137) | (182) |
| **Total income tax expense** | **(340)** | **(185)** | **(240)** |

### Analysis of tax rate

The main elements contributing to the difference between Syngenta's overall expected tax rate (the weighted average of the statutory income tax rates applicable to each operation) and the effective tax rate are:

| | 2000 % | 1999 % | 1998 % |
|---|---|---|---|
| Statutory tax rate | 30 | 31 | 35 |
| Effect of overseas income taxed at different rates | (1) | - | - |
| Effect of disallowed expenditures | 5 | 3 | 1 |
| Effect of utilization of previously unrecognised deferred tax assets | (1) | (2) | - |
| Effect of non-recognition of tax losses in current year | 10 | 25 | 7 |
| Effect of product divestments | (6) | - | (1) |
| Prior year and other items | - | - | 2 |
| **Effective tax rate** | **37** | **57** | **44** |

The utilization of tax loss carry forwards lowered the tax charge by US$5 million, US$5 million, and US$2 million in 2000, 1999 and 1998, respectively. The change in the expected tax rate over time reflects changes in the weighting of taxable income in different tax jurisdictions.

**9. Earnings per share**

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Net income for the year before merger and restructuring costs, net of divestment gains (US$m) | 210 | 167 | 289 |
| Merger and restructuring costs, net of divestment gains after tax (US$m) | 354 | (32) | 10 |
| Net income for the financial year (US$m) | 564 | 135 | 299 |
| Earnings per ordinary share before merger and restructuring costs, net of divestment gains (US$) | 2.83 | 2.42 | 4.20 |
| Gain/(loss) per ordinary share on merger and restructuring costs, net of divestment gains (US$) | 4.78 | (0.46) | 0.15 |
| **Basic and diluted earnings per ordinary share (US$)** | **7.61** | **1.97** | **4.35** |
| Weighted average number of ordinary shares in issue (millions) | 74 | 69 | 69 |

Basic earnings per share has been calculated by dividing net income by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting outstanding shares, assuming conversion of all potentially dilutive share options. The issuance of share options under the Syngenta Executive Stock Option Plan, which are the only dilutive potential ordinary shares in existence at December 31, 2000, had no impact on the calculation of diluted earnings per share.

At the Separation Date, 69 million ordinary shares of Syngenta were issued to Novartis shareholders. This issuance is considered a recapitalization of Syngenta's predecessor, Novartis agribusiness. Therefore, these shares are considered outstanding for all periods prior to the Transaction date. An additional 44 million ordinary shares of Syngenta were issued to AstraZeneca shareholders on the Transaction date, in consideration of Zeneca agrochemicals business. Approximately 10% of total outstanding shares were repurchased by Syngenta as treasury shares, shortly following the Separation Date.

Accordingly, the weighted average number of ordinary shares in issue was 69 million for 1999 and 1998. The weighted average number of ordinary shares at December 31, 2000 of 74 million has been adjusted for the 44 million shares issued in conjunction with the Zeneca acquisition and the shares repurchased by Syngenta in November, 2000, as from the issuance and repurchase dates respectively.

**10. Trade and other accounts receivable**

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Trade accounts receivable, gross | 2,328 | 1,758 | 1,759 |
| Provision for doubtful receivables | (324) | (266) | (312) |
| Trade accounts receivable, net | 2,004 | 1,492 | 1,447 |
| Other receivables - third party | 279 | 143 | 191 |
| - Novartis | 15 | 32 | 53 |
| - associates | 6 | 5 | 3 |
| **Total** | **2,304** | **1,672** | **1,694** |

**11. Other current assets**

| (US$ million) | | 2000 | 1999 | 1998 |
|---|---|---|---|---|
| Prepaid expenses | - third parties | 56 | 50 | 40 |
| | - associates | 2 | - | 7 |
| Assets held for divestment | | 105 | - | - |
| **Total** | | **163** | **50** | **47** |

**12. Inventories**

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Raw material, consumables | 597 | 318 | 342 |
| Finished products | 1,324 | 1,416 | 1,657 |
| **Total** | **1,921** | **1,734** | **1,999** |

At December 31, 2000, 1999 and 1998 inventory provisions of US$140 million, US$118 million and US$116 million respectively were deducted in arriving at the above amounts.

**13. Property, plant and equipment**

| (US$ million) | Land | Buildings | Machinery and equipment | Plant under construction and other equipment | Total 2000 | Total 1999 | Total 1998 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| January 1 | **111** | **1,091** | **2,033** | **81** | **3,316** | **3,498** | **3,307** |
| Additions | 9 | 45 | 124 | 7 | 185 | 185 | 201 |
| Disposals | (14) | (11) | (98) | (17) | (140) | (134) | (158) |
| Acquisition of Zeneca agrochemicals business | 27 | 180 | 805 | 180 | 1,192 | - | - |
| Changes in scope of consolidation | - | - | 1 | - | 1 | 62 | 25 |
| Translation effects | (5) | (16) | 7 | 1 | (13) | (295) | 123 |
| **December 31** | **128** | **1,289** | **2,872** | **252** | **4,541** | **3,316** | **3,498** |
| **Accumulated depreciation** | | | | | | | |
| January 1 | **(2)** | **(474)** | **(1,280)** | **-** | **(1,756)** | **(1,799)** | **(1,680)** |
| Depreciation charge | - | (42) | (144) | - | (186) | (175) | (161) |
| Depreciation on disposals | 1 | 1 | 90 | - | 92 | 83 | (4) |
| Impairment | - | 2 | (24) | - | (22) | - | - |
| Changes in scope of consolidation | - | - | (1) | - | (1) | (28) | - |
| Translation effects | - | (2) | (17) | - | (19) | 163 | 46 |
| **December 31** | **(1)** | **(515)** | **(1,376)** | **-** | **(1,892)** | **(1,756)** | **(1,799)** |
| **Net book value – December 31** | **127** | **774** | **1,496** | **252** | **2,649** | **1,560** | **1,699** |
| **Insured value – December 31** | | | | | **7,002** | **3,469** | **3,789** |

Asset impairments were calculated as described in note 2.

**14. Intangible assets**

| (US$ million) | Goodwill | Product Rights | Trademarks | Software | Other Intangibles | Total 2000 | Total 1999 | Total 1998 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| January 1 | 314 | 773 | 7 | 5 | 11 | 1,110 | 1,132 | 913 |
| Additions | 5 | 35 | - | 1 | 18 | 59 | 62 | 177 |
| Disposals | (2) | - | - | - | - | (2) | (3) | (1) |
| Acquisition of Zeneca agrochemicals | 599 | 1,491 | - | 57 | - | 2,147 | - | - |
| Translation effects | (22) | (13) | - | - | 1 | (34) | (81) | 43 |
| **December 31** | **894** | **2,286** | **7** | **63** | **30** | **3,280** | **1,110** | **1,132** |
| Accumulated amortization | | | | | | | | |
| January 1 | (36) | (156) | (1) | (3) | (4) | (200) | (128) | (47) |
| Amortization | (10) | (74) | - | (4) | (2) | (90) | (84) | (77) |
| Impairment | (15) | - | - | - | - | (15) | - | - |
| Translation effects | 2 | 1 | - | - | - | 3 | 12 | (4) |
| **December 31** | **(59)** | **(229)** | **(1)** | **(7)** | **(6)** | **(302)** | **(200)** | **(128)** |
| **Net book value** | | | | | | | | |
| **December 31** | **835** | **2,057** | **6** | **56** | **24** | **2,978** | **910** | **1,004** |

**15. Investment in associates and joint ventures**

Syngenta has the following significant investments in associates which are accounted for using the equity method:

| (US$ million) | % Ownership | Balance sheet value 2000 | 1999 | 1998 | Income statement effect 2000 | 1999 | 1998 |
|---|---|---|---|---|---|---|---|
| CIMO Compagnie Industrielle de Monthey SA, Switzerland | 50 | 61 | 65 | 62 | - | -- | (12) |
| Société Etablissement Claude Camille Benoîst SA, | 44 | 11 | 11 | 10 | - | -- | 1 |
| Maïsadour Semences SA, | 40 | 7 | 10 | -- | (1) | -- | -- |
| Tomono Agrica K.K., Japan | (i) | - | - | 17 | - | -- | -- |
| Others | | 33 | 21 | 8 | - | 5 | 14 |
| **Total** | | **112** | **107** | **97** | **(1)** | **5** | **3** |

(i) Prior to July 28, 1999 – thereafter the company became a subsidiary of Syngenta.

### 16. Deferred taxes

The deferred tax assets and liabilities are analyzed as follows :

| (US$ million) | | 2000 | 1999 | 1998 |
|---|---|---|---|---|
| Assets associated with | - inventory | 168 | 124 | 132 |
| | - accounts receivable | 38 | 21 | 3 |
| | - tangible fixed assets | 9 | - | 15 |
| | - pension and employee costs | 75 | 31 | 31 |
| | - provisions | 173 | 67 | 79 |
| | - net operating losses | 21 | 17 | 15 |
| | - other | 155 | 49 | 32 |
| **Deferred tax assets, net of valuation allowance** | | **639** | **309** | **307** |
| Liabilities associated with | - property, plant and equipment depreciation | 375 | 94 | 113 |
| | - intangible assets | 533 | - | - |
| | - other provisions and accruals | 362 | 198 | 181 |
| **Deferred tax liabilities** | | **1,270** | **292** | **294** |
| **Net deferred tax asset / (liability)** | | **(631)** | **17** | **13** |

The gross value of net operating loss carry forwards with their expiry dates is as follows:

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| one year | 4 | 2 | 6 |
| two years | 4 | 5 | 4 |
| three years | 9 | 3 | 17 |
| four years | 29 | 3 | 2 |
| five years | 52 | 59 | 2 |
| more than five years | 384 | 429 | 215 |
| **Total** | **482** | **501** | **246** |

Of these gross values US$80 million has been capitalized in 2000 as a deferred tax asset (1999: US$41 million; 1998: US$42 million).

A deferred tax asset or liability has not been recognized on the following items:

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Temporary differences associated with provisions and losses for which deferred tax assets have not been recognized | 539 | 555 | 346 |
| Temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized | 457 | 427 | 473 |

### 17. Other financial assets

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Long-term loans to associates | 12 | 12 | 29 |
| Other investments and non-current receivables | 201 | 90 | 73 |
| Prepaid pension (note 25) | 80 | 38 | -- |
| **Total** | **293** | **140** | **102** |

### 18. Current financial debts

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Interest-bearing Novartis liabilities | 144 | 1,792 | 2,049 |
| Receivables factored with recourse | 320 | 272 | 236 |
| Bank and other financial debt (including interest bearing employee accounts) | 2,613 | 148 | 147 |
| Current portion of non-current financial debts (note 20) | 8 | 9 | 1 |
| **Total** | **3,085** | **2,221** | **2,433** |

Interest-bearing Novartis liabilities include the financing by Novartis AG of the net working capital of certain Crop Protection and Seeds segment operations. The average interest rate charged on the interest-bearing Novartis liabilities was 7.1% per annum, 8.0% per annum, and 6.8% per annum in 2000, 1999 and 1998, respectively.

On September 7, 2000, Syngenta entered into two financing arrangements with a syndicate of lenders providing for an aggregate of US$4.5 billion in available revolving credit facilities (the "Credit Facilities"). The terms of the Credit Facilities provide for a five-year revolving credit facility in the amount of US$2.5 billion, which expires September 2005, and a 364 day revolving credit facility in the amount of US$2.0 billion, which expires September 2001. In addition, Syngenta has a non-syndicated 364-day facility of US$1.5 billion. The Credit Facilities provide that the interest rate is based on either LIBOR or EURIBOR, depending upon the currency of the underlying borrowing, plus a margin and mandatory costs. In addition to interest payments, Syngenta is obligated to pay certain variable commitment fees based upon the long-term credit rating assigned to Syngenta by Moody's Investors' Services, Inc. and Standard and Poor's Corporation ranging from 0.1% to 0.3% of the unused amount throughout the term of the facilities. As of December 31, 2000, there was US$3.74 billion available under the Credit Facilities and the non-syndicated facility.

The above balance sheet values of current financial debt approximate the estimated fair value due to the short-term nature of these instruments.

### 19. Other current liabilities

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Accrued expenses | 381 | 275 | 373 |
| Social security/pension funds | 22 | 15 | 15 |
| Other payables | 610 | 195 | 144 |
| Other payables to Novartis | - | 115 | 196 |
| **Total** | **1,013** | **600** | **728** |

### 20. Non-current financial debts

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Liabilities to banks and other financial institutions | 105 | 85 | 75 |
| Finance lease obligations | 3 | 4 | 3 |
| **Total (including current portion of non-current financial debt)** | **108** | **89** | **78** |
| Less current portion of non-current financial debt | (8) | (9) | (1) |
| **Total** | **100** | **80** | **77** |

The weighted average interest rate on the combined current and non-current bank and other financial debts was 7.0% per annum, 5.1% per annum and 7.0% per annum in 2000, 1999 and 1998, respectively.

The above balance sheet values of non-current financial debts approximate the estimated fair values of these instruments.

| (US$ million) | | 2000 | 1999 | 1998 |
|---|---|---|---|---|
| Breakdown by maturity | 1999 | | | 1 |
| | 2000 | | 9 | 5 |
| | 2001 | 8 | 3 | 2 |
| | 2002 | 3 | 2 | 2 |
| | 2003 | 2 | 46 | 45 |
| | 2004 | 49 | 2 | — |
| | Thereafter | 46 | 27 | 23 |
| **Total** | | **108** | **89** | **78** |
| Breakdown by currency | US$ | 60 | 58 | 58 |
| | CHF | 1 | 1 | 1 |
| | JPY | 6 | 15 | — |
| | Others | 41 | 15 | 19 |
| **Total** | | **108** | **89** | **78** |
| **Collateralized non-current financial debts and pledged assets (US$ million)** | | | | |
| Total amount of collateralized non-current financial debts | | 16 | 8 | 4 |
| Total net book value of property, plant and equipment pledged as collateral for non-current financial debts | | 6 | 21 | 4 |

Financial debts, including current financial debts, contain only general default covenants with which Syngenta is in compliance.

**21. Provisions**

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Restructuring provision (Note 22) | 350 | 53 | 69 |
| Employee benefits - accrued pension costs of single employer defined benefit plans (Note 25) | 133 | 70 | 39 |
| - other long-term employee benefits | 38 | 38 | 56 |
| Other post-retirement benefits (Note 25) | 103 | 49 | 53 |
| Environmental provisions (Note 28) | 275 | 170 | 176 |
| Provisions for legal and product liability settlements | 53 | 44 | 50 |
| Other provisions | 27 | - | - |
| **Total** | **979** | **424** | **443** |
| Current portion of:- | | | |
| - restructuring provisions | 221 | 35 | 68 |
| - environmental provisions | 41 | 28 | 17 |
| - provisions for legal and product liability settlements | 14 | - | - |
| - other provisions | 10 | - | - |
| Total current provisions | 286 | 63 | 85 |
| Total non-current provisions | 693 | 361 | 358 |
| **Total** | **979** | **424** | **443** |

The following table analyzes the movement in provisions during 2000 :

| (US$ million) | Balance at January 1, 2000 | Acquisition of Zeneca agro-chemicals business | Charged to income net of releases | Payments | Other movements including translation (gains)/losses | Balance at December 31, 2000 |
|---|---|---|---|---|---|---|
| Restructuring provision (Note 22) | 53 | 213 | 317 | (206) | (27) | 350 |
| Employee benefits | | | | | | |
| - accrued pension costs of single employer define benefit plans (Note 25) | 70 | 41 | 11 | (15) | 26 | 133 |
| - other long-term employee benefits | 38 | 27 | (21) | (2) | (4) | 38 |
| Other post-retirement benefits (Note 25) | 49 | 56 | 4 | (6) | - | 103 |
| Environmental provisions (Note 28) | 170 | 101 | 22 | (17) | (1) | 275 |
| Provisions for legal and product liability settlements | 44 | - | 11 | (1) | (1) | 53 |
| Other provisions | - | 13 | 14 | - | - | 27 |
| **Total** | 424 | 451 | 358 | (247) | (7) | 979 |

Of US$247 million of payments shown above, US$68 million was in respect of equity issuance costs which are shown in financing activities in the cash flow statement. The remaining payments of US$179 million are shown in cash flow from operating activities.

**22. Restructuring charges**

| (US$ million) | Employee termination costs | Other third party costs | Total |
|---|---|---|---|
| **January 1, 1998** | **116** | **68** | **184** |
| Cash Payments | (78) | (12) | (90) |
| Additions | 3 | - | 3 |
| Non-income property, plant and equipment write-offs | - | (19) | (19) |
| Releases | - | (11) | (11) |
| Translation gain, net | 2 | - | 2 |
| **December 31, 1998** | **43** | **26** | **69** |
| Cash payments | (39) | (9) | (48) |
| Additions | 41 | 26 | 67 |
| Non-income property, plant and equipment write-offs | - | (16) | (16) |
| Releases | (6) | (10) | (16) |
| Translation gain/(loss), net | (6) | 3 | (3) |
| **December 31, 1999** | **33** | **20** | **53** |
| Cash payments | (13) | (193) | (206) |
| Acquisition of Zeneca agrochemicals business | 45 | 168 | 213 |
| Additions | 128 | 201 | 329 |
| Non-income property, plant and equipment write-off | - | (23) | (23) |
| Releases | (12) | - | (12) |
| Translation gain/(loss), net | (3) | (1) | (4) |
| **December 31, 2000** | **178** | **172** | **350** |

Following the formation of Syngenta in November 2000, Syngenta embarked on a plan to integrate and restructure the combined businesses in order to achieve cost savings. Such plans involve termination of employees, integration of systems and the closure of duplicate head office, research and development and manufacturing facilities. The charge to income in 2000 of US$329 million comprised of US$128 million for employee termination, and US$201 million for other third party costs. Approximately 1,020 jobs will be eliminated in respect of plans announced by December 31, 2000. The asset impairments were measured by comparing future expected cash flows generated by the assets to the assets' carrying amount on the date of acquisition. The future benefit of these assets should expire within 2001 due to this acquisition.

In June 1999, "Project Focus" was initiated. The elements of this project included optimization of asset utilization in production, review of logistics on a regional basis to achieve synergies and reduce costs and prioritization of research products based on the most promising products. Activities in the United States, Canada, Switzerland, and the EU were mainly affected by these reorganisations. In Japan, the project resulted in a change to direct sales and cancellation of the distribution agreement with distributors. The charges of US$67 million incurred in conjunction with this project are comprised of employee termination costs of US$41 million, other third party cost of US$15 million and fixed asset impairments of US$11 million. Approximately 1,100 jobs will be eliminated worldwide as a result of this project. Approximately 904 employees have left Syngenta as of December 31, 2000. Fixed asset impairments represent the write off of the carrying value of manufacturing facilities in Asia Pacific region crop protection segment based on the closure of those facilities.

The releases to income in each year were a result of settlements of liabilities at lower amounts than originally anticipated.

***Other third party costs***

Third party costs incurred during 1999 relate to US$7 million of contract termination related costs for certain distribution arrangements in Japan, US$2 million of costs related to facility closure and demolition in NAFTA region and US$6 million of costs related to closure and demolition in the Europe & AME region.

**23. Cash flows arising from change in net current assets and other operating cash flows**

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Change in inventories | 255 | 167 | 29 |
| Change in trade and other accounts receivable and other net current assets | 29 | 13 | (85) |
| Change in trade and other accounts payable | (129) | 29 | (117) |
| **Total** | **155** | **209** | **(173)** |

**24. Cash flows arising from major business acquisitions and divestments**

The following is a summary of the cash flow impact of the major business acquisitions and divestments:

| (US$ million) | Notes | 2000 Acquisition | 2000 Divestment | 1999 Acquisitions | 1998 Acquisition | 1998 Divestments |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | | (417) | | (6) | (1) | 6 |
| Trade and other accounts receivable | | (1,057) | | (98) | (56) | 49 |
| Inventories | | (518) | 36 | (25) | (23) | 14 |
| Property, plant and equipment | 13 | (1,192) | 12 | (35) | (20) | 28 |
| Intangible assets (excluding goodwill) | 14 | (1,548) | (35) | | | |
| Other non-current assets | | (345) | 27 | (15) | (1) | 8 |
| Current and non-current financial debts | | 1,671 | | 70 | 16 | (1) |
| Other liabilities | | 1,789 | | 49 | 22 | (26) |
| Provisions | 21 | 451 | | | | |
| **Net assets acquired/divested** | | **(1,166)** | **40** | **(60)** | **(63)** | **78** |
| Acquired/(divested) cash and cash equivalents | | 417 | | 6 | 1 | (6) |
| Decrease in investments in associates | | | | 15 | 49 | |
| **Sub-total** | | **(749)** | **40** | **(39)** | **(13)** | **72** |
| Goodwill | 14 | (599) | | (26) | (148) | |
| Fair value of shares issued | | 1945 | | | | |
| Capital contribution from AstraZeneca | | (210) | | | | |
| Reduction of equity and minority interests | | | | 26 | | (34) |
| Divestment gains | | | 785 | | | 18 |
| **Net Cash Flow** | | **387** | **825** | **(39)** | **(161)** | **56** |

The 2000 acquisition was a non-cash transaction in which Syngenta shares were issued for Zeneca agrochemicals business. The net cash flow resulting from the acquisition represents Zeneca's cash balance at the merger date of US$417 million less US$30 million in direct acquisition costs.

**25. Employee benefits**

*(a) Defined benefit obligation*

Syngenta has, apart from the legally required social security schemes, numerous independent pension plans, many of which were pension plans sponsored by Novartis in conjunction with Novartis' other subsidiaries. Syngenta's participation in these plans prior to completing the Transactions is accounted for as a multi-employer plan for the purposes of 2000, 1999, and 1998 income statements. As at December 31, 2000, however, Syngenta's estimated share of the assets and liabilities of the plans formerly sponsored by Novartis are included in the funded assets and liabilities at best estimates of the amounts which will be transferred to Syngenta.

Defined benefit pension plans cover the majority of Syngenta's employees. The defined benefit obligations and related assets of all major plans are re-appraised yearly and at least every three years the obligations are reassessed by independent actuaries. Plan assets are recorded at fair values. The surplus on implementing revised IAS 19 was reported as an adjustment to the opening balance of retained earnings as of January 1, 1999.

The following is a summary of the status of the main independent defined benefit plans at December 31, 2000, 1999, and 1998 using IAS 19 (revised) actuarial assumptions. The 1999 and 1998 disclosures exclude those plans formerly sponsored by Novartis as it is not practical to determine the relevant amounts at those earlier dates.

The following is a reconciliation of the assets and liabilities recognized in the consolidated balance sheet for defined benefit pension arrangements at December 31, 2000, 1999 and 1998.

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Funded assets of independent defined benefit pension plans | 2,353 | 225 | 224 |
| Defined benefit obligations of active and retired employees | (2,300) | (229) | (258) |
| **Funded Status** | **53** | **(4)** | **(34)** |
| Limitation on recognition of surplus due to uncertainty obtaining future Benefits | (9) | (9) | - |
| Unrecognized gain | (97) | (19) | - |
| Surplus credited to equity at January 1, 1999 as a result of adopting revised IAS 19 | - | - | (5) |
| **Net liability** | **(53)** | **(32)** | **(39)** |

The net liability of these plans in the balance sheet consists of:-

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Prepaid pension expense included in other financial assets (note 17) | 80 | 38 | - |
| Accrued pension costs included in provisions (note 21) | (133) | (70) | (39) |
| **Net liability** | **(53)** | **(32)** | **(39)** |

The following are the principal actuarial assumptions used for calculating the 2000, 1999 and 1998 income statement amounts and the above December 31, 2000, 1999 and 1998 funded status of the main defined benefit plans:

| Weighted average % | Income Statement | | | Funded status | | |
|---|---|---|---|---|---|---|
| | 2000 % | 1999 % | 1998 % | 2000 % | 1999 % | 1998 % |
| - discount rate | 5.3 | 3.8 | 6.0 | 5.6 | 4.4 | 4.3 |
| - inflation rate | 2.5 | 1.2 | 3.6 | 2.6 | 1.2 | 3.6 |
| - return on assets | 5.8 | 5.4 | 5.7 | 5.6 | 5.4 | 5.7 |

The contribution and expense related to multi-employer pension plans formerly sponsored by Novartis were US$33 million, US$11 million, and US$18 million for the years ended December 31, 2000, 1999 and 1998 respectively.

In some Syngenta operations, employees are covered by defined contribution plans and other long term employee benefits. In 2000 contributions and related expense charged to the consolidated income statement for these plans were US$12 million (1999 : US$12 million; 1998 : US$8 million).

*(b) Other post-retirement benefits*

Syngenta's post-retirement healthcare, insurance and other related post-retirement benefits are not funded.

The following are the principal actuarial assumptions used for calculating these post-retirement benefits:

| | 2000 Weighted average % | 1999 Weighted average % | 1998 Weighted average % |
|---|---|---|---|
| Discount rate | 7.6 | 7.1 | 6.2 |
| Healthcare cost trend (initial) | 5.9 | 5.5 | 5.8 |
| Healthcare cost trend (ultimate) | 4.8 | 4.1 | 3.9 |

In 2000 the cost of post-retirement benefits other than pensions totalled US$4 million (1999, US$6 million, 1998, US$4 million).

The following is a summary of the balance sheet movements and income statement amounts in relation to defined benefit plans and other post-retirement benefits:

| (US$ million) | Defined benefit pension plans 2000 | Other post-retirement benefits 2000 |
|---|---|---|
| **Liability at beginning of the year** | **(32)** | **(49)** |
| Net expense recognised in the consolidated income statement | (12) | (4) |
| Company contributions | 17 | 6 |
| Foreign currency translation | 5 | - |
| Net liability assumed from spin-off from Novartis benefit plans | (9) | - |
| Net liability assumed in the acquisition of Zeneca agrochemicals business | (22) | (56) |
| **Liability at end of year** | **(53)** | **(103)** |

The amounts recognized in the income statement are as follows:

| (US$ million) | Defined benefit pension plans 2000 | Other post-retirement benefits 2000 |
|---|---|---|
| Expected return on plan assets | 25 | - |
| Current service cost | (16) | (1) |
| Interest cost | (21) | (3) |
| **Expense** | **(12)** | **(4)** |

The actual return on plan assets for 2000 was US$15 million.

**26. Employee share participation plans**

Employee and management share participation plans exist as follows:

***(a) Syngenta Executive Stock Option Plan***

In 2000, the Syngenta Executive Stock Option Plan was introduced to provide selected members of the Board of Directors, executives and key employees of Syngenta with an opportunity to obtain the right to purchase shares of Syngenta. The grant of options regarding Syngenta shares is at the discretion of the Compensation Committee, whose members are appointed by the Board of Directors of Syngenta. The number of shares authorized for grants of options under this plan during 2000 was approximately 512,000. The options vest in full and are exercisable after three years, and terminate after 10 years from the grant date. The exercise price of approximately CHF 77 per share is equal to the weighted average share price at the Swiss stock exchange (SWX) of the five business days preceding the grant date as determined by the Compensation Committee.

Share option activity for 2000 is as follows (including the equivalent ADS shares that are offered to Syngenta employees in the U.S.):

| | 2000 | | |
|---|---|---|---|
| | Shares (000) | Weighted average exercise price CHF | Weighted average contractual life (years) |
| Outstanding at the beginning of the year | - | - | |
| Granted | 512 | 77 | |
| Outstanding at the end of the year | 512 | 77 | 10 |
| Exercisable at the end of the year | - | - | |
| Weighted average fair value of options granted during the year (CHF) | - | 25 | 10 |

All options were granted at an exercise price which was greater than the market price of the Syngenta shares at the grant date.

***(b) Employee Share Ownership Plans***

In 1998, the Novartis Employee Share Ownership Plan was introduced for all employees of Swiss subsidiaries. This entitled employees after 1 year of service to acquire 3 shares in Novartis every year at a price determined by the Novartis Board's compensation committee, which was CHF 500 per share for 2000. Novartis agribusiness employees were immediately required to buy the shares to which they have became entitled. Charges for Novartis' employees participation in the plan were effectively eliminated in the allocation of corporate activities by Novartis. During the year 6,752 shares (1999: 8,727 shares; 1998: 9,867 shares) were distributed under this plan to Novartis agribusiness employees. Syngenta employees discontinued their participation in the Novartis Employee Share ownership plan as of December 31, 2000.

***(c) Novartis Stock Option Plan***

Options under the Novartis Stock Option Plan which are exercisable after 3 years and which terminate after 10 years, were granted annually as part of the remuneration of Novartis executive officers and other employees outside the United States selected by the Novartis Compensation Committee entitling them to acquire Novartis shares (1 share per option) at a predetermined strike price. The number of options granted depended on the performance of individuals and of the segment in which they worked.

As a consequence of the Transactions, conversion adjustments were made to the options outstanding for plan years 1998 and 1999. Each existing Novartis option was exchanged for one new Novartis option and one Syngenta option. As of the Separation Date, Syngenta employees discontinued participation in the Novartis Stock Option Plan and all options previously granted under the Novartis Stock Option Plan remain the obligation of Novartis. As a result, no options related to the Novartis Stock Option Plan after the Separation Date are reflected in the following table.

| | 2000 | | 1999 | | 1998 | |
|---|---|---|---|---|---|---|
| | **Shares (000)** | **Weighted Average exercise price CHF** | **Shares (000)** | **Weighted Average exercise price CHF** | **Shares (000)** | **Weighted Average exercise price CHF** |
| Outstanding at the beginning of the year | 19 | 1,980 | 12 | 2,140 | 7 | 1,700 |
| Granted | 5 | 2,714 | 7 | 2,100 | 5 | 2,800 |
| Retained by Novartis | (24) | 2,245 | - | - | - | - |
| Outstanding at the end of the year | - | - | 19 | 2,125 | 12 | 2,140 |
| Exercisable at the end of the year | - | - | 1 | 1,980 | -- | 1,700 |
| Weighted average fair value of options granted during the year (CHF) | | 900 | | 675 | | 733 |

All options were granted at an exercise price which was greater than the market price of the Novartis shares at the grant date.

***(d) Management ADS Appreciation Cash Plan***

In 2000 435,946 options (1999: 216,274 options; 1998: 309,292 options), exercisable after 3 years and terminating after 10 years, were granted as part of the remuneration of eligible Novartis agribusiness employees in the United States entitling them to cash compensation equivalent to the increase in the value of Novartis ADSs compared to the market price of Novartis ADSs on the grant date. Options were granted annually as part of the remuneration of executive officers and other employees selected by the Novartis Board's Compensation Committee. The number of options granted depended on the performance of individuals and of the segment in which they worked. Syngenta employees discontinued their participation in the management ADS Appreciation Cash Plan as of the separation date.

**27. Transactions and agreements with related parties**

Prior to the merger of Novartis agribusiness with Zeneca agrochemicals business to form Syngenta, Novartis agribusiness was wholly owned by Novartis. It had related party relationships with the non-Syngenta operations of Novartis.

Syngenta has sold products to Novartis, at a price that management believes approximates the price an unrelated third party would pay. For the years ended December 31, 2000, 1999 and 1998, Syngenta had US$15 million, US$53 million and US$56 million, respectively, of revenues from Novartis.

Prior to the formation of Syngenta, Novartis provided Novartis agribusiness with certain general and administrative services, including insurance, legal, treasury, financial and other corporate functions. Although certain assets, liabilities and expenses related to these services have been allocated to Novartis agribusiness, up to the date of Demerger the results of operations and cash flows presented in these consolidated financial statements may not have been the same as those that would have occurred had the businesses been an independent entity. Subsequent to the separation date, Syngenta either already operates its own arrangements, independent of Novartis, for these services, or will seek to do so as soon as practically possible.

The income statements include the following related party transactions that Syngenta had with the rest of Novartis:

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Charges to operating expenses of segments | (30) | (44) | (71) |
| Charges to operating expenses included in Corporate and other activities [1] | (39) | (48) | (50) |
| Charges to financial expense [2] | (89) | (153) | (136) |
| **Total** | **(158)** | **(245)** | **(257)** |

(1) Allocated by Novartis based on sales. Certain of these services between Novartis and Syngenta will continue after the demerger pursuant to transition agreements.

(2) As described in Note 1, Novartis agribusiness received interest bearing financing from Novartis.

Amounts due from/(due to) Novartis at December 31 are included within the balance sheet captions as follows:

| **(US$ million)** | **Notes** | **2000** | **1999** | **1998** |
|---|---|---|---|---|
| Trade and other accounts receivable | 10 | 15 | 32 | 53 |
| Current financial debts | 18 | (144) | (1,792) | (2,049) |
| Other current liabilities | 19 | - | (115) | (196) |
| **Net amount payable to Novartis** | | **(129)** | **(1,875)** | **(2,192)** |

Syngenta has entered into agreements with Novartis and AstraZeneca to govern certain of the ongoing relationships between Syngenta, Novartis and AstraZeneca at and after the separation date and to provide for an orderly transition. Based upon the accounting for the Transactions as an acquisition of Zeneca agrochemicals business by Novartis agribusiness, the agreements with Novartis are considered to be related party agreements. Brief descriptions of significant related party agreements follow.

The Separation Agreements outlined below provide for the provision of various services between Syngenta and Novartis on a transitional basis and ensure that both parties have access to necessary information in the future. Certain Separation Agreements also allocate and separate amongst the parties the historic, current and possible future liabilities of the Novartis agribusiness and Zeneca agrochemicals business from the liabilities of the remaining activities of Novartis and AstraZeneca.

*Indemnity Matters Agreement*

The Indemnity Matters Agreement between Novartis and Syngenta specifies the losses that each party has reciprocally covenanted to pay arising from any damages that may arise relating to both existing and former operations and divested divisions of the respective businesses. The parties are not obligated to reimburse each other for amounts which are covered under an insurance policy or otherwise from a third party.

*Environmental Matters Agreements*

The Environmental Matters Agreements between Syngenta, Novartis and AstraZeneca outline the covenants to indemnify each other in respect of liabilities relating to environmental and health and safety matters (other than product liability claims) against respective group companies and affiliates which arise through the historic, current and future operation of Syngenta. The purpose of the Environmental Matters Agreements is to address, in general terms, the rights and obligations of Novartis, AstraZeneca and Syngenta for environmental claims that have been or will be incurred and to identify special arrangements for environmental matters related to specific affiliates of each party. The parties are not obligated to reimburse each other for amounts which are covered under an insurance policy or otherwise from a third party.

*Tax Deed*

The Tax Deed allocates Novartis' and Syngenta's responsibilities for certain tax matters. Novartis retained all tax liabilities arising out of or connected to the remaining Novartis businesses (excluding Novartis agribusiness) and the reorganization of the Novartis group for the purpose of separating Novartis agribusiness, except for certain events as described in the Tax Deed. Syngenta has assumed and will be responsible for all tax liabilities arising out of or connected to the Novartis agribusiness or a Syngenta-related event as described in the Tax Deed. The Deed also provides for the management of tax affairs and dispute resolution.

*Intellectual Property Agreements*

Under the Intellectual Property Agreements, Syngenta acquired title to all relevant intellectual property that is exclusive to or predominantly relates to its business. Syngenta will license or will be licensed relevant intellectual property pertaining to the business of Syngenta that it shares with Novartis.

Licenses (other than the license of the Zeneca or Novartis house mark and domain names) are worldwide, exclusive in the field, royalty free and perpetual. The licenses of the Novartis house mark and domain names are exclusive in the agribusiness field, royalty-free and expire three years after the date of the completion of the transactions. The licenses of the Zeneca house mark and domain names are exclusive in the agrochemicals field, royalty free and expire on January 4, 2005.

*Pension Agreements*

Pension Agreements outline how the liabilities and assets relating to benefits accrued by employees transferring to Syngenta will generally be transferred to Syngenta by AstraZeneca, as applicable. In the case of employees in the Novartis Swiss pension fund transferring to Syngenta, the form and structure of the transfer is determined in accordance with Swiss law. Except as otherwise required by law or the terms of the applicable benefit program, liabilities for benefits accrued by retirees or other former employees will not be transferred to Syngenta. For a transitional period, certain Syngenta employees are continuing to participate in the respective Novartis and/or AstraZeneca arrangements under which they were previously covered. However, Syngenta will seek to operate its employee benefit arrangements independently from Novartis and AstraZeneca as soon as practically possible.

**28. Commitments and contingencies**

| (US$ million) | | 2000 | 1999 | 1998 |
|---|---|---|---|---|
| Leasing commitments | | | | |
| Commitments arising from fixed-term operating leases in effect at December 31 are as follows: | 1999 | | | 20 |
| | 2000 | | 20 | 12 |
| | 2001 | 20 | 12 | 9 |
| | 2002 | 16 | 11 | 8 |
| | 2003 | 8 | 10 | 7 |
| | 2004 | 3 | 9 | -- |
| | 2005 | 2 | 19 | 24 |
| | Thereafter | 6 | | |
| Total | | 55 | 81 | 80 |
| Operating lease expense of current year | | 26 | 30 | 30 |
| Commitments for the purchase of property, plant and equipment | | 47 | 3 | 4 |

Syngenta has entered into long-term research agreements with various institutions to fund various research projects and other commitments.
The approximate payments committed to these institutions are as follows:

| (US$ million) | 2000 | 1999 |
|---|---|---|
| 2000 | - | 31 |
| 2001 | 44 | 26 |
| 2002 | 33 | 19 |
| 2003 | 30 | 14 |
| 2004 | 26 | - |
| Total | 133 | 90 |

**Contingencies**

Group companies have to observe the laws, government orders and regulations of the country in which they operate. A number of them are currently involved in administrative proceedings arising out of the normal conduct of their business.

A number of Group operations are also the subject of litigation arising out of the normal conduct of their business, as a result of which claims could be made against them which, in whole or in part, might not be covered by insurance. In the opinion of Syngenta management, however, the ultimate outcome of the actions referred to will not materially affect Syngenta's financial position, results of operations or cash flows.

*Environmental matters*

Syngenta has environmental liabilities at some currently or formerly owned, leased and third party sites throughout the world.

In the US, Syngenta, or its indemnities, has been named under federal legislation (the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended) as a potentially responsible party ('PRP') in respect of several sites Syngenta expects to be indemnified against liabilities associated with a number of these sites by the seller of the businesses associated with such sites and, where appropriate, actively participates in or monitors the clean-up activities at the sites in respect of which it is a PRP.

During 2000 Syngenta was named as a PRP in respect of a manufacturing site in the US. A provision has been recorded at December 31, 2000 in respect of the estimated costs of remediation of US$27 million, which are due to be indemnified by the previous owner of the site under the relevant purchase agreement and therefore a corresponding receivable has been recorded.

In April 2000, Part IIA of the Environmental Protection Act 1999 (contaminated land provisions) was passed into legislation in the UK. The new legislation gives local environmental agencies significant powers to register contaminated sites and to require the owners of these sites to carry out environmental remediation. Environmental remediation costs associated with this legislation are included in provisions recorded on acquisition of the Zeneca agrochemicals business.

Syngenta has provisions in respect of environmental remediation costs in accordance with the accounting policy described in Note 2. At December 31, 2000, 1999 and 1998, Syngenta had recorded in other current and non-current provisions a total of US$275 million, US$170 million and US$176 million respectively, to cover future environmental expenditures. Amounts recoverable of US$29 million at December 31, 2000 (1999 and 1998 : US$0 million), from third parties for such costs have been recorded in current and non-current receivables. The environmental provision is principally related to potential liability at various locations. The estimated provision takes into consideration the number of other PRPs at each site and the identity and financial positions of such parties in light of the joint and several nature of the liability.

The requirement in the future for Syngenta ultimately to take action to correct the effects on the environment of prior disposal or release of chemical substances by Syngenta or other parties, and its costs, pursuant to environment laws and regulations, is inherently difficult to estimate. The material components of the environmental provisions consist of a risk assessment based on investigation of the various sites. Syngenta's future remediation expenses are affected by a number of uncertainties which include, but are not limited to, the method and extent of remediation, the percentage of material attributable to Syngenta at the remediation sites relative to that attributable to other parties, and the financial capabilities of the other potentially responsible parties.

Syngenta believes that its provisions are adequate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts accrued. The effect of resolution of environmental matters on results of operations cannot be predicted due to uncertainty concerning both the amount and the timing of future expenditures and the results of future operations. Management believes that such additional amounts, if any, would not be material to Syngenta's financial condition but could be material to Syngenta's results of operations in a given period.

**29. Principal currency translation rates**

| | | 2000 US$ | 1999 US$ | 1998 US$ |
|---|---|---|---|---|
| Year end rates used for the consolidated balance sheets, To translate the following currencies into US$ are: | | | | |
| | CHF | 1.63 | 1.60 | 1.38 |
| | DEM | 2.10 | 1.94 | 1.68 |
| | FRF | 7.04 | 6.52 | 5.63 |
| | GBP | 0.67 | 0.62 | 0.60 |
| | JPY | 114.89 | 102.05 | 113.63 |
| | EUR | 1.07 | 0.99 | - |
| Average rates of the year used for the consolidated income and cash flow statements, to translate the following currencies into US$ are: | | | | |
| | CHF | 1.69 | 1.50 | 1.45 |
| | DEM | 2.12 | 1.83 | 1.76 |
| | FRF | 7.11 | 6.15 | 5.89 |
| | GBP | 0.66 | 0.62 | 0.62 |
| | JPY | 107.69 | 113.64 | 129.87 |
| | EUR | 1.08 | 0.96 | - |

**30. Financial Instruments**

*Market Risk*

Syngenta is exposed to market risk, primarily to foreign exchange and interest rates. Management actively monitors these exposures. To manage the volatility relating to these exposures, Syngenta enters into derivative financial instruments. Syngenta's objective is to reduce fluctuations in cash flows and earnings associated with changes in interest rates and foreign currency rates. Syngenta does not enter into any financial transactions unrelated to the operating business.

*Foreign Exchange Rates*

Syngenta uses US dollars as its reporting currency and is therefore exposed to foreign exchange movements, primarily in European, Latin American, Japanese and other Asian currencies. Consequently, it enters into various contracts, which change in value as foreign exchange rates change, to preserve the value of assets, commitments and anticipated transactions. Syngenta uses forward contracts to cover existing balance sheet exposures, to hedge committed foreign currency transactions and anticipated foreign currency cash flows.

*Interest Rates*

Syngenta monitors its interest rate exposures and analyses the potential impact of interest rate movements on net interest expense. Furthermore it assesses the impact of potential interest rate fluctuations on the market value of its net debt.

In order to limit the volatility of net interest expenses, Syngenta enters into derivative transactions to achieve a desired fixed/floating ratio of net debt.

Syngenta partially hedges, by entering into interest rate swaps, its interest rate exposure related to anticipated financing transactions.

*Credit Risk*

The Group has policies and operating guidelines in place to ensure that treasury and derivatives transactions are limited to transactions with high credit quality banks and financial institutions.

*Liquidity Risk*

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out positions. Syngenta's liquidity situation is monitored in a pro-active manner in order to ensure that Syngenta is solvent at all times.

The contract values of financial instruments held at December 31, 2000 were as follows :

| (US$ million)<br>Interest Rate Swaps | 2000 |
|---|---|
| Less than one year | - |
| One to five years | - |
| Five to six years | 250 |

| (US$ million)<br>Foreign Exchange Forward contracts | 2000 |
|---|---|
| Swiss Francs (at rates averaging CHF 1.6688) | 942 |
| British Pound (at rates averaging GBP 0.6800) | 769 |
| Other European (at rates averaging EUR 1.1072) | 14 |
| US Dollar | 112 |
| Others | 15 |
| **Total** | **1,852** |

Maturities on foreign exchange forward contracts range from 4 to 511 days

The fair values of the above instruments at December 31, 2000 are as follows :

| (US$ million) | Notional Amount | Positive Fair Value | Negative Fair Value |
|---|---|---|---|
| Interest Rate Swaps | 250 | - | - |
| Foreign Exchange Forward Contracts | 1,852 | 33 | 18 |

**31. Syngenta's operations, associates and joint ventures as at December 31, 2000**

In the table below, the following symbols are used

- ● Subsidiary; > 90% - fully consolidated
- ◗ Subsidiary; above 50% and up to 90% - fully consolidated
- ❍ Investments in associated companies; above 20% up to 50% - equity method accounting
- ■ Holding/Finance: This entity is a holding company and/or performs finance functions for Syngenta.
- ◆ Sales: This entity performs sales and marketing activities for Syngenta.
- □ Production: This entity performs manufacturing and/or production activities for Syngenta.
- ✫ Research: This entity performs research and development activities for Syngenta.

Please refer to Note 2 "Accounting Policies" for the appropriate accounting method applied to each type of entity.

| | Equity Interest | Holding/ Finance | Sales | Production | Research |
|---|---|---|---|---|---|
| **Argentina** | | | | | |
| Novartis Agrosem S.A. | ● | | ◆ | | |
| Zeneca SAIC | ● | | ◆ | | |
| **Australia** | | | | | |
| Novartis Crop Protection Australasia Pty. Ltd. | ● | | ◆ | ▯ | |
| **Austria** | | | | | |
| Syngenta Agro GmbH | ● | | ◆ | | |
| Zeneca Agrochemicals GmbH | ● | | ◆ | | |
| **Bangladesh** | | | | | |
| Novartis (Bangladesh) Ltd. | ◗ | | ◆ | | |
| **Belgium** | | | | | |
| Novartis Agro S.A. | ● | | ◆ | | |
| Zeneca Agro NV | ● | | ◆ | | |
| **Bermuda** | | | | | |
| Syngenta Investment Ltd. | ● | ■ | | | |
| **Brazil** | | | | | |
| Novartis Seeds Ltda. | ● | | ◆ | ▯ | ☆ |
| Zeneca Brasil Ltda. | ● | | ◆ | ▯ | |
| Novartis Agribusiness Ltda. | ● | | ◆ | | |
| **Canada** | | | | | |
| Novartis Crop Protection Canada Inc. | ● | | ◆ | | |
| Novartis Seeds Inc. | ● | | ◆ | ▯ | ☆ |
| Zeneca Corp. | ● | | ◆ | | |
| **Chile** | | | | | |
| Syngenta Agribusiness S.A. | ● | | ◆ | ▯ | |
| **China** | | | | | |
| Zeneca (China) Investment Company Ltd. | ● | ■ | ◆ | | |
| Zeneca Nantong Agrochemicals Company Ltd. | ● | | ◆ | | |
| Syngenta Asia Pacific Ltd. | ● | | ◆ | | |
| Novartis Agrochemical (Jiangsu) Company Ltd. | ● | | ◆ | | |
| Novartis Agro (China) Ltd. | ● | | ◆ | | |
| Beijing Seoul Industrial Seed Co. Ltd | ● | | ◆ | ▯ | |
| **Colombia** | | | | | |
| Novartis Agro Latinamerica Norte S.A. | ● | | ◆ | | |
| Syngenta S.A. | ● | | ◆ | ▯ | |
| **Czech Republic** | | | | | |
| Zeneca (CZ) s.r.o. | ● | | ◆ | | |
| Novartis Czech Republic s.r.o. | ● | | ◆ | | |
| **Denmark** | | | | | |
| Novartis Agri A/S | ● | | ◆ | | |
| Syngenta Crop Protection A/S | ● | | ◆ | | |
| **Egypt** | | | | | |
| Novartis Agro Egypt S.A.E. | ● | | ◆ | | |
| **France** | | | | | |
| Novartis Agro S.A. | ● | | ◆ | ▯ | ☆ |
| Novartis Seeds S.A. | ● | | ◆ | ▯ | ☆ |
| Société Etablissement Claud Benoîst S.A. | ❍ | | ◆ | ▯ | ☆ |
| Sopra S.A. | ● | | ◆ | | |
| Maisadour Semences S.A. | ❍ | | ◆ | | ☆ |

| | Equity Interest | Holding/ Finance | Sales | Production | Research |
|---|---|---|---|---|---|
| **Germany** | | | | | |
| Syngenta Agro GmbH | ● | | ◆ | | |
| Novartis Seeds GmbH | ● | | ◆ | ▯ | ☆ |
| Novartis Agri Holding GmbH | ● | ■ | | | |
| Zeneca Agro Holding GmbH | ● | ■ | | | |
| Zeneca Agro GmbH | ● | | ◆ | | |
| **Great Britain** | | | | | |
| Syngenta Grimsby Ltd. | ● | | ◆ | ▯ | |
| Syngenta Crop Protection UK Ltd. | ● | | ◆ | | ☆ |
| Syngenta Holdings Ltd. | ● | ■ | | | |
| Syngenta Seeds Ltd. | ● | | ◆ | ▯ | ☆ |
| Syngenta Ltd. | ● | ■ | ◆ | ▯ | ☆ |
| **Greece** | | | | | |
| Syngenta Hellas S.A.C.I. | ● | | ◆ | | |
| Zeneca Hellas S.A.C.I. | ● | | ◆ | ▯ | |
| **Guatemala** | | | | | |
| Novartis Agro, S.A. | ● | | ◆ | | |
| Zeneca Panamerica S.A. | ● | | ◆ | ▯ | |
| **Hungary** | | | | | |
| Novartis Agro Kft | ● | | ◆ | | |
| Novartis Seeds Kft | ● | | ◆ | ▯ | ☆ |
| Zeneca Hungary Kft | ● | | ◆ | | |
| **India** | | | | | |
| Syngenta India Ltd. | ◗ | | ◆ | ▯ | |
| Zeneca Agrochemicals Ltd. | ● | | ◆ | ▯ | |
| **Indonesia** | | | | | |
| P.T. Zeneca Agri Products Indonesia | ● | | ◆ | ▯ | |
| P.T. Novartis Agro Indonesia | ● | | ◆ | | |
| **Italy** | | | | | |
| Novartis Protezione Piante S.p.A. | ● | | ◆ | | |
| Novartis Seeds S.p.A. | ● | ■ | ◆ | ▯ | ☆ |
| Novagra S.p.A. | ● | ■ | ◆ | | |
| Solplant S.p.A | ● | | ◆ | | |
| **Ireland** | | | | | |
| Zeneca Ireland Ltd. | ● | | ◆ | | |
| **Ivory Coast** | | | | | |
| SOCHIM-Côte d'Ivoire S.A. | ● | | ◆ | ▯ | |
| **Japan** | | | | | |
| Novartis Agro KK | ● | | ◆ | | |
| Tomono Agrica Co. Ltd. | ❍ | | ◆ | ▯ | ☆ |
| Zeneca KK | ● | | ◆ | | |
| Novartis Seeds KK | ● | | ◆ | | |
| **Luxembourg** | | | | | |
| Syngenta Luxembourg Sarl | ● | ■ | | | |
| **Malaysia** | | | | | |
| Novartis Agro Malaysia Sdn. Bhd. | ◗ | | ◆ | | |
| CCMB Agrochemicals Ltd. Sdn. Bhd. | ● | | ◆ | | |
| Zeneca Malaysia Sdn. Bhd | ● | ■ | | | |
| **Mexico** | | | | | |
| Novartis Agro, S.A. de CV | ● | | ◆ | ▯ | ☆ |
| Zeneca Mexicana S.A. de CV | ● | | ◆ | ▯ | |

| | Equity Interest | Holding/ Finance | Sales | Production | Research |
|---|---|---|---|---|---|
| **Netherlands** | | | | | |
| Syngenta Manufacturing BV | ● | | ◆ | ▯ | |
| Syngenta Seeds BV | ● | ■ | ◆ | ▯ | ☆ |
| Syngenta International Participations BV | ● | ■ | | | |
| Syngenta Alpha BV | ● | ■ | | | |
| Syngenta Theta BV | ● | ■ | | | |
| Syngenta Holding BV | ● | ■ | | | |
| Syngenta Seeds International BV | ● | | | | |
| Stauffer Chemical BV | ● | | ◆ | ▯ | |
| Syngenta Crop Protection BV | ● | | | | |
| **Norway** | | | | | |
| Novartis Norge AS | ● | | ◆ | | |
| **Pakistan** | | | | | |
| Novartis (Pakistan) Ltd. | ● | | ◆ | ▯ | |
| **Panama** | | | | | |
| Syngenta S. A | ● | | | | |
| Syngenta Crop Protection S.A. | ● | | ◆ | | |
| **Philippines** | | | | | |
| Novartis Agro Philippines Inc. | ● | | ◆ | | |
| **Poland** | | | | | |
| Novartis Crop Protection Poland Sp. Z o.o. | ● | | ◆ | | |
| Zeneca Polska Sp. Z o.o. | ● | | ◆ | | |
| **Portugal** | | | | | |
| Novartis Agro Ltda. | ● | | ◆ | | |
| Zeneca Agro Productos para a Agricultura Ltda. | ● | | ◆ | | |
| **Russia** | | | | | |
| OOO Syngenta | ● | | ◆ | | |
| ZAO Novartis Kuban Ltd. | ● | | | | |
| Zeneca LLC | ● | | ◆ | | |
| ZAO Zeneca | ● | | | | |
| **Singapore** | | | | | |
| Novartis Crop Protection (Singapore) Pte Ltd. | ● | | ◆ | | |
| **South Africa** | | | | | |
| Syngenta South Africa (Pty) Ltd. | ● | | ◆ | ▯ | ☆ |
| **South Korea** | | | | | |
| Novartis Agro Korea Ltd. | ● | | ◆ | ▯ | |
| Zeneca Korea Ltd. | ● | | ◆ | | |
| Novartis Seeds Co. Ltd. | ● | | ◆ | ▯ | ☆ |
| **Spain** | | | | | |
| Novartis Agro, S.A. | ● | | ◆ | ▯ | |
| Novartis Seeds, S.A. | ● | | ◆ | ▯ | |
| Koipesol Semillas, S.A. | ◗ | | ◆ | ▯ | ☆ |
| Zeneca Agrom, S.A. | ● | | ◆ | | |
| **Sweden** | | | | | |
| Novartis Seeds AB | ● | | ◆ | ▯ | ☆ |
| **Switzerland** | | | | | |
| Syngenta AG | ● | ■ | | | |
| Syngenta International AG | ● | | | | |
| Syngenta Crop Protection AG | ● | ■ | ◆ | ▯ | ☆ |
| Syngenta Seeds AG | ● | ■ | | | |
| CIMO Compagnie Industrielle de Monthey S.A. | ❍ | | | ▯ | |
| Syngenta Agro AG | ● | | ◆ | ▯ | ☆ |
| Syngenta Crop Protection Schweizerhalle AG | ● | | | ▯ | |
| Syngenta Crop Protection Münchwilen AG | ● | | | ▯ | ☆ |
| Syngenta Crop Protection Monthey S.A. | ● | | | ▯ | |

| | Equity Interest | Holding/ Finance | Sales | Production | Research |
|---|---|---|---|---|---|
| Säurefabrik Schweizerhall AG | ◗ | | ◆ | ▯ | |
| Syngenta Participations AG | ● | ■ | | | |
| **Taiwan** | | | | | |
| Novartis Crop Protection Taiwan Co. Ltd. | ● | | ◆ | | |
| **Thailand** | | | | | ☆ |
| Novartis Crop Protection (Thailand) Ltd. | ● | | ◆ | | |
| Zeneca Agro Asiatic Ltd. | ● | | ◆ | ▯ | |
| **Turkey** | | | | | |
| Novartis Tarim Sanayi ve Ticaret AS | ● | | ◆ | ▯ | |
| **USA** | | | | | |
| Novartis Biotechnology Research, Inc. | ● | | | | ☆ |
| Novartis Crop Protection, Inc. | ● | | ◆ | ▯ | ☆ |
| Novartis Seeds, Inc. | ● | ■ | ◆ | ▯ | ☆ |
| Sandoz Agro, Inc. | ● | ■ | | | |
| Torrey Mesa Research Institute, Inc | ● | | | | ☆ |
| Zeneca Ag Products Holdings, Inc. | ● | ■ | | | |
| Syngenta Corp., Inc. | ● | ■ | | | |
| Zeneca Ag Products, Inc. | ● | | ◆ | ▯ | |
| **Vietnam** | | | | | |
| Novartis Agro (Vietnam) Ltd. | ● | | ◆ | ▯ | |

In addition, Syngenta is represented by operations, associates or joint ventures in the following countries: Central African Republic, Congo Democratic Republic, Costa Rica, Dominican Republic, Guadeloupe, Honduras, Iran, Kenya, Morocco, New Zealand, Nigeria, Paraguay, Peru, Romania, Slovenia, Sri Lanka, the Ukraine, Uruguay, Venezuela, Yugoslavia, and Zimbabwe.

**32. Significant Differences Between IAS and United States Generally Accepted Accounting Principles**

Syngenta's consolidated financial statements have been prepared in accordance with IAS, which as applied by Syngenta, differs in certain significant respects from U.S. GAAP. The effects of the application of U.S. GAAP to net income and equity are set out in the tables below:

| (US$ million except earnings per share amounts) | Notes | 2000 | 1999 | 1998 |
|---|---|---|---|---|
| **Net income reported under IAS** | | **564** | **135** | **299** |
| U.S. GAAP adjustments: | | | | |
| Purchase accounting : Zeneca agrochemicals | a | (271) | - | - |
| Purchase accounting : other acquisitions | b | (92) | (103) | (107) |
| Restructuring costs | c | - | (6) | (54) |
| LIFO inventory | d | - | - | - |
| Pension provisions (including post-retirement benefits) | e | - | (3) | (2) |
| Stock-based compensation | f | (21) | (9) | (17) |
| Deferred taxes on unrealized profit in inventory | g | 4 | 9 | 1 |
| Capitalized costs, less disposals and depreciation | h | (1) | 8 | - |
| Deferred tax effect on U.S. GAAP adjustments | | (3) | 33 | 49 |
| **Net income reported under U.S. GAAP** | | **180** | **64** | **169** |
| **Basic and diluted earnings per share under U.S GAAP** | | **2.43** | **0.93** | **2.46** |

| (US$ million) | Notes | December 31, 2000 | December 31, 1999 | December 31, 1998 |
|---|---|---|---|---|
| **Equity reported under IAS** | | **4,210** | **2,481** | **2,588** |
| U.S. GAAP adjustments: | | | | |
| Purchase accounting: Zeneca agrochemicals | a | (240) | - | - |
| Purchase accounting: other acquisitions | b | 1,239 | 1,373 | 1,700 |
| Restructuring costs | c | - | - | 6 |
| LIFO inventory | d | - | - | - |
| Pension provisions (including post-retirement benefits) | e | (5) | 37 | 60 |
| Stock-based compensation | f | - | (23) | (17) |
| Deferred taxes on unrealized profit in inventory | g | (37) | (31) | (45) |
| Capitalized costs, less disposals and depreciation | h | 20 | 21 | 14 |
| Deferred tax effect on U.S. GAAP adjustments | | (367) | (367) | (455) |
| **Equity reported under U.S. GAAP** | | **4,820** | **3,491** | **3,851** |

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| **Components of equity in accordance with U.S. GAAP:** | | | |
| Share capital | 667 | - | - |
| Share premium | 5,174 | - | - |
| Treasury shares, at cost | (524) | - | - |
| Retained deficit | (58) | - | - |
| Cumulative Novartis net investment | - | 3,822 | 3,779 |
| Accumulated other comprehensive income: | | | |
| - Currency translation adjustment | (439) | (331) | 72 |
| **Total** | **4,820** | **3,491** | **3,851** |

| | (US$ million) |
|---|---|
| **January 1, 1998 (U.S. GAAP)** | **3,545** |
| Net income for the year under U.S. GAAP | 169 |
| Net transfers to Novartis | (38) |
| Foreign currency translation adjustment | 175 |
| **December 31, 1998 (U.S. GAAP)** | **3,851** |
| Net income for the year under U.S. GAAP | 64 |
| Net transfers to Novartis | (21) |
| Foreign currency translation adjustment | (403) |
| **December 31, 1999 (U.S. GAAP)** | **3,491** |
| Net income for the year under U.S GAAP | 180 |
| Net transfers to Novartis (1) | (164) |
| Issuance of shares in consideration for Zeneca Agrochemicals Business | 1,945 |
| Acquisition of treasury shares | (524) |
| Foreign currency translation adjustment | (108) |
| **December 31, 2000 (U.S. GAAP)** | **4,820** |

(1) Net transfers to Novartis includes transfers of US$ 183 million on an IAS basis net of transfers of pension and stock-based compensation amounts upon spin-off.

**a. Purchase accounting: Zeneca agrochemicals business**

As discussed in Note 3, the merger of Novartis Agribusiness and Zeneca agrochemicals business resulted in the formation of Syngenta. For accounting purposes this transaction is presented in the consolidated financial statements as a purchase business combination with Novartis agribusiness being the acquirer of Zeneca agrochemicals business.

In accordance with IAS 22 (revised), the difference between the purchase price and the aggregate fair value of tangible and intangible assets and liabilities acquired in a business combination is capitalized as goodwill and amortized over its useful life. There is a rebuttable presumption in IAS 22 (revised) that the useful life of goodwill does not exceed 20 years. Under U.S. GAAP, the difference between the purchase price paid and the fair value of net assets acquired as part of a business combination is capitalized as goodwill and amortized through the income statement over its estimated useful life, which may not exceed 40 years. For the purposes of both IAS and U.S. GAAP, goodwill is being amortized through the income statement over an estimated useful life of 20 years. While the amortization period does not differ between IAS and U.S. GAAP, the allocation of purchase price does differ, as described below.

The fair value of net assets acquired has been provisionally assigned the following values; this is subject to the fact that the purchase price allocation is not complete at the date of issue of these financial statements. Additional restructuring actions related to the acquisition have not been finalized as of December 31, 2000. The additional costs could result in adjustments to the purchase price allocation.

| (US$ million) | |
|---|---|
| Intangible assets related to marketed products | 1,491 |
| Property, plant and equipment | 1,192 |
| Assembled workforce | 142 |
| Other identifiable intangibles | 57 |
| In-process R&D | 365 |
| Current assets | 1,991 |
| Current liabilities | (2,103) |
| Other net liabilities | (1,588) |
| **Total** | **1,547** |

The components of the equity and income adjustment related to the U.S. GAAP purchase accounting adjustments for 2000 are as follows:

| (US$ million) | 2000 Components to reconcile | |
|---|---|---|
| | Net Income | Equity |
| Assembled workforce | (2) | 140 |
| In-process R&D | (365) | - |
| Restructuring | 93 | - |
| Goodwill | 3 | (380) |
| Total adjustment | (271) | (240) |

*Assembled Workforce*

Under IAS, the value assigned to Zeneca agrochemicals business' assembled workforce acquired by Syngenta is treated as goodwill and amortized over 20 years. However, under U.S GAAP the amortization charge is taken over an estimated average employee service life of 9 years.

*In-Process Research and Development*

Under IAS, in-process research and development costs are not identified as an acquired asset in connection with the allocation of the purchase price but rather capitalized as goodwill and amortized over their expected useful lives. U.S. GAAP requires the identification of in-process research and development as a component of the purchase price allocation. Such amounts in which technological feasibility has not been established and that have no alternative future use must be charged as an expense at the time of acquisition. In accordance with U.S. GAAP, Syngenta has expensed in-process research and development of US$365 million in connection with the acquisition of Zeneca agrochemicals in 2000.

*Restructuring*

Restructuring charges of US$93 million under IAS were included as non-income fair value adjustments within purchase accounting for Zeneca agrochemicals.

**b. Purchase accounting: other acquisitions**

The components of the equity and income adjustments related to the U.S. GAAP purchase accounting adjustments for 2000, 1999 and 1998 related to other acquisitions are as follows:

| | 2000 Components to reconcile | | 1999 Components to reconcile | | 1998 Components to reconcile | |
|---|---|---|---|---|---|---|
| (US$ million) | Net Income | Equity | Net Income | Equity | Net Income | Equity |
| Ciba-Geigy | (85) | 1,172 | (95) | 1,296 | (98) | 1,597 |
| Pre-1995 goodwill | (10) | 99 | (11) | 112 | (12) | 141 |
| In-process research and Development | 3 | (32) | 3 | (35) | 3 | (38) |
| **Total** | **(92)** | **1,239** | **(103)** | **1,373** | **(107)** | **1,700** |

*Ciba-Geigy*

Novartis, the former parent company of Novartis agribusiness, was formed in 1996 by the merger of Sandoz and Ciba-Geigy. The accounting treatment for the 1996 merger of Sandoz and Ciba-Geigy under IAS is different from the accounting treatment under U.S. GAAP. For IAS purposes, the merger was accounted for as a uniting of interests, however, for U.S. GAAP the merger does not meet all of the required conditions of Accounting Principles Board Opinion No. 16 for a pooling in interests and therefore is accounted for as a purchase under U.S. GAAP. The merger was consummated before the effective date of Interpretation 9 of the SIC on accounting for business combinations. Under U.S. GAAP, Sandoz is deemed to be the acquirer with the assets and liabilities of Ciba-Geigy being recorded at their estimated fair values and the results of Ciba-Geigy being included from December 20, 1996. Syngenta has specifically identified the fair value adjustments of the Ciba-Geigy U.S. GAAP purchase price allocation that pertain to Syngenta.

The fair value of net assets acquired exceeded the purchase price resulting in negative goodwill of US$1.2 billion which has been allocated to the acquired non-current, non-monetary assets. The recording of deferred tax assets and liabilities related to the temporary differences between the assigned fair values of assets and liabilities and their respective tax bases resulted in the allocation of a deferred tax adjustment to the net assets purchased.

The fair value of the non-current, non-monetary assets on the date of acquisition has been reduced proportionately by negative goodwill. The final values assigned are as follows:

| **(US$ million)** | |
|---|---:|
| Intangible assets related to marketed products | 1,787 |
| Property, plant and equipment | 1,095 |
| Other identifiable intangible assets | 257 |
| In-process R&D | 866 |
| Other net assets | 1,471 |
| **Total** | **5,476** |

The components of the equity and income adjustments related to the Ciba-Geigy U.S. GAAP purchase accounting adjustment relate only to the net book value and amortization of intangible assets over their useful lives which range from 10 – 20 years.

*Pre-1995 Goodwill*

In accordance with IAS 22 (revised), the difference between the purchase price and the aggregate fair value of tangible and intangible assets and liabilities acquired in a business combination is capitalized as goodwill and amortized over its useful life. There is a rebuttable presumption under IAS 22 (revised) that the useful life of goodwill does not exceed 20 years. Under U.S. GAAP, the difference between the purchase price and fair value of net assets acquired as part of a business combination is capitalized as goodwill and amortized through the income statement over its estimated useful life, which may not exceed 40 years. For the purpose of the reconciliation to U.S. GAAP, goodwill is generally being amortized through the income statement over an estimated useful life of 20 years.

Prior to January 1, 1995, Syngenta wrote-off all goodwill directly to equity in accordance with IAS existing at that time. The adoption of IAS 22 (revised) did not require prior period restatement. Accordingly, a U.S. GAAP difference exists with respect to pre-January 1, 1995 goodwill and amortization.

*In-Process research and development*

Under IAS, in-process research and development costs are not identified as an acquired asset in connection with the allocation of the purchase price but rather capitalized as goodwill and amortized over their expected useful lives. U.S. GAAP requires the identification of in-process research and development as a component of the purchase price allocation. Such amounts in which technological feasibility has not been established and that have no alternative future use, must be charged as an expense at the time of acquisition. In accordance with U.S. GAAP, Syngenta has expensed in-process research and development of US$ 38 million in connection with the acquisition of product rights related net assets from Merck & Co., Inc in 1997.

**c. Restructuring Charges**

Under IAS, restructuring charges are accrued against operating income in the period in which Syngenta develops a detailed formal plan in respect of the restructuring, a valid expectation has been raised in those affected by the restructuring that termination benefits will be paid, and the amount can be reasonably estimated. U.S. GAAP is more prescriptive than IAS; for example there is a rebuttable presumption under U.S. GAAP that an exit plan should be completed and the exit costs incurred within one year from the commitment date. Therefore, certain costs permitted to be accrued under IAS are not allowable under U.S. GAAP.

The following schedule reconciles restructuring accruals under IAS to amounts determined under U.S. GAAP:

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Total accruals in accordance with IAS | 350 | 53 | 69 |
| Reclassification of restructuring accruals to property, plant and equipment | - | (8) | (15) |
| Adjustments in restructuring accruals to accord with U.S. GAAP | - | - | (6) |
| **Restructuring accruals in accordance with U.S. GAAP** | **350** | **45** | **48** |

Adjustments to restructuring accruals to accord with U.S. GAAP are comprised of the following:

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Employee termination costs | - | - | (4) |
| Other third party costs | - | - | (2) |
| **Adjustments to restructuring accruals to accord with U.S GAAP** | **-** | **-** | **(6)** |

Restructuring accruals according to U.S. GAAP are comprised of the following:

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Employee termination costs | 94 | 33 | 39 |
| Other third party costs | 256 | 12 | 9 |
| **Restructuring accruals in accordance with U.S. GAAP** | **350** | **45** | **48** |

Restructuring charges according to U.S. GAAP are comprised of the following:

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Total charges in accordance with IAS | 316 | 67 | 3 |
| Adjustments in restructuring charges to accord with U.S. GAAP | (93) | 6 | 54 |
| **Restructuring charges to accord with U.S. GAAP** | **223** | **73** | **57** |

Adjustment to restructuring charges to accord with U.S. GAAP are comprised the following:

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Restructuring provision recognition | - | 6 | 54 |
| Fair value adjustments (Note 32a) | 93 | - | - |
| **Adjustment to restructuring charges to accord with U.S. GAAP** | **93** | **6** | **54** |

**d. LIFO inventory**

During 2000, for inventories of subsidiaries in the United States, Syngenta changed its inventory costing method from the Last-in-First-Out ("LIFO") method to the First-In-First-Out ("FIFO") method under U.S. GAAP. The change was made to conform the accounting policy regarding inventories for all operations and to conform the policy under U.S. GAAP with that under IAS which prohibits the use of different cost formulas for inventories.

The effect of the accounting change was to increase net income reported for the year ended December 31, 2000 by US$1 million, or US$.01 per basic and diluted share. The change has been applied by restating the prior years' financial statements. In connection with the revising of the financial statements for this change, it was determined that amounts originally calculated under LIFO also needed to be revised. The after tax effect of these adjustments was to decrease equity as of December 31, 1999, 1998 and 1997 by US$88 million, US$112 million, and US$112 million, respectively. This decrease is attributable to the reversal of the purchase accounting adjustment that increased the carrying value of inventory relating to the Ciba-Geigy acquisition, net of income taxes. The after tax affect of these adjustments is to increase net income for the years ended December 31, 1999 and 1998 by US$3 million (US$.05 per basic and diluted share) and US$9 million (US$.13 per basic and diluted share), respectively.

**e. Pension provisions**

Under IAS, pension costs and similar obligations are accounted for in accordance with IAS 19, "Employee Benefits". For purposes of U.S. GAAP, pension costs for defined benefit plans are accounted for in accordance with SFAS No. 87 "Employers' Accounting for Pensions," other post-employment benefits are recorded in accordance with SFAS No. 106 "Employers Accounting for Postretirement Benefits other than Pensions" and the disclosure is presented in accordance with SFAS No. 132 "Employers' Disclosures about Pensions and Other Post-retirement Benefits". Syngenta adopted SFAS No. 87 as of January 1, 1998, whereas it adopted IAS 19 (revised) as of January 1, 1999; the difference in adoption dates results in a change in unrecognized actuarial amounts and the timing of any related amortization for both pension and post-retirement benefit plans.

The following is a reconciliation of the balance sheet and income statement amounts recognized for IAS and U.S. GAAP for both pension and post-retirement benefit plans:

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| **Pension benefits:** | | | |
| Liability recognized for IAS | (53) | (32) | (39) |
| Increase in PBO for SFAS 87 purposes | - | - | (32) |
| Difference in unrecognized amounts | 1 | 43 | 84 |
| **Prepaid asset (liability) recognized for U.S. GAAP** | **(52)** | **11** | **13** |
| Net periodic benefit cost recognized for IAS | 12 | 9 | 5 |
| Amortization of transition asset | - | (1) | (1) |
| Amortization of actuarial amounts | - | 4 | - |
| **Net periodic benefit cost recognized for U.S. GAAP** | **12** | **12** | **4** |
| **Other post-retirement benefits:** | | | |
| Liability recognized for IAS | (103) | (49) | (67) |
| Difference in unrecognized amounts | (6) | (6) | 8 |
| **Liability recognized for U.S. GAAP** | **(109)** | **(55)** | **(59)** |
| Net periodic benefit cost recognized for IAS | 4 | 6 | 4 |
| Amortization of actuarial amounts | - | - | 3 |
| **Net periodic benefit cost recognized for U.S. GAAP** | **4** | **6** | **7** |

**f. Stock-based compensation**

Syngenta does not account for stock-based compensation, as it is not required under IAS. Under U.S. GAAP, Syngenta applies Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB No 25") and related interpretations in accounting for its plan existing at December 31, 2000 and the Novartis-sponsored plans.

The Syngenta Executive Stock Option Plan is considered to be fixed under APB No. 25, as the number of shares to be issued and exercise price were both known at the date of grant. No compensation expense was recorded as the exercise price exceeded the market price on the date of grant.

Prior to the Separation Date, certain Syngenta employees participated in three Novartis-sponsored plans (as described in Note 25) that are subject to measurement under APB No. 25. These include the Novartis Stock Option Plan, the Management ADS Appreciation Cash Plan and the Employee Share Ownership Plan. At the Separation Date, Syngenta discontinued participation in the Novartis Stock Option Plan and the Management ADS Appreciation Cash Plan. The Employee Share Ownership Plan was discontinued at December 31, 2000.

The Novartis Stock Option Plan was considered to be variable under APB No. 25, as the number of shares to be issued was not known at the date of grant. Compensation expense was recorded at each balance sheet date by estimating the ultimate number of shares to be issued multiplied by the spread between the share price on the balance sheet date and the strike price. After the number of shares to be issued was determined (the "measurement date"), the plan was considered to be fixed and the compensation charge was adjusted based on the intrinsic value at the measurement date.

In connection with the Transactions, the number of options and related exercise prices for outstanding options were adjusted to reflect the change in fair market value of the common stock of Novartis and Syngenta that resulted from the Transactions. Although the adjustments were intended to preserve the economic value of those options that existed just prior to the spin-off of the holders of these options, the adjustments made did not meet the specified requirements to maintain fixed plan accounting under FASB Interpretation No. 44, *Accounting for Certain Transactions involving Stock Compensation – an interpretation of APB Opinion No. 25.* As a result, Syngenta remeasured the expense related to outstanding stock options using the intrinsic value method as of the Separation Date and recorded a corresponding compensation charge of approximately US$12 million for the year ended December 31, 2000, for U.S GAAP purposes. In addition, Syngenta granted loans to its option holders in certain jurisdictions in connection with the grant of stock options. If certain conditions are met, Syngenta will waive repayment of the loans. Compensation expense is recorded at the date the loan is waived and is calculated as the amount of the loan that will not be repaid.

The Management ADS Appreciation Cash Plan was considered to be variable because the final benefit to employees depended on the Novartis share price at the exercise date. Compensation expense was recorded at each balance sheet date by estimating the number of rights outstanding multiplied by the spread between the share price on the balance sheet date and the strike price. The increase in compensation expense and the related increase in the accrual under the appreciation plan was US$1 million for the year ended December 31, 2000. The reduction in compensation expense and release of the accrual recognized under the appreciation plan was US$2 million for the year ended December 31, 1999. Compensation expense and the accrual recognized under the appreciation plan was US$3 million for the year ended December 31, 1998.

The Employee Share Ownership Plan was considered to be compensatory based on the amount of the discount allowed for employee share purchases. Compensation expense was recorded at the grant date and was calculated as the spread between the share price and the strike price on that date. The number of shares sold to Syngenta employees during the years ended December 31, 2000 and 1999 and 1998 was 6,752, 8,727, and 9,867 shares for US$2 million, US$3 million, and US$3 million respectively. Compensation expense recognized under the ownership plan was US$8 million, US$11 million and $14 million for the years ended December 31, 2000, 1999, and 1998 respectively. The discount to the Novartis share price was 80%, 79 %, and 80% for the years ended December 31, 2000, 1999, and 1998 respectively.

*Pro forma net income*

Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation. Had Syngenta accounted for stock options in accordance with SFAS No. 123, net income would have been changed to the pro forma amounts indicated below:

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| **Net income under U.S. GAAP :** | | | |
| As reported | 180 | 64 | 169 |
| Pro forma | 184 | 57 | 155 |
| Proforma basic and diluted earnings per share under U.S. GAAP | 2.49 | 0.83 | 2.26 |

The weighted average assumptions used in determining fair value of option grants were as follows:

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Dividend yield | 1.3% | 1.6 % | 1.2% |
| Expected volatility | 23.0% | 23.0 % | 24.0% |
| Risk-free interest rate | 3.7% | 3.8 % | 3.6% |
| Expected life | 10 yr | 10 yr | 10 yr |

**g. Deferred taxes on unrealized profit in inventory**

Under IAS 12 (revised 1996), unrealized profits resulting from intercompany transactions are eliminated from the carrying amount of assets, such as inventory. The tax effect thereon is calculated with reference to the local tax rate of the company that holds the inventory (the buyer) at the period-end. However, U.S. GAAP prohibits the recognition of a deferred tax asset for the difference between the tax basis of the assets in the buyer's tax jurisdiction and their cost as reported in the historical consolidated financial statements and requires the deferral of the seller's tax expense incurred upon the intercompany sale.

**h. Capitalized costs, less disposals and depreciation**

*(1)* **Capitalised Interest**

Syngenta does not capitalize interest on constructed assets, as it is not required by IAS. In accordance with U.S. GAAP, interest costs incurred during the construction period (i.e., the period of time necessary to bring a constructed fixed asset to the condition and location necessary for its intended use) must be capitalized and amortized over the useful life of the asset. Under U.S. GAAP, Syngenta would have capitalized US$2 million, US$1 million and US$2 million, of interest costs that were expensed for IAS reporting purposes for the years ended December 31, 2000, 1999 and 1998 respectively. This amount is net of amortization expense of US$1 million, US$0 million and US$2 million, respectively.

*(2)* **Capitalized software**

Syngenta has capitalized software costs in accordance with IAS 38 as from January 1, 2000. For U.S. GAAP purposes, costs incurred in the development of software for internal use have been capitalized from January 1, 1999, the date on which Syngenta adopted the provisions of Statement of Position 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". These costs are being amortized over a three-year period. Under U.S. GAAP, Syngenta would have capitalized software costs in excess of related amortization, of approximately US$7 million, for the year ended December 31, 1999, while for the year ended December 31, 2000, related amortization would have exceeded the relevant capitalized software costs by US$2 million.

**Additional U.S. GAAP disclosures**

***Total assets and non-current liabilities***

Total assets under U.S. GAAP were US$12,826 million, US$7,944 million and US$8,727 and total current liabilities were US$5,287 million, US$3,201 million and US$3,554 million and total non-current liabilities were US$2,621 million, US$1,175 million and US$1,246 million for the years ended December 31, 2000, 1999 and 1998 respectively, after reflecting the above U.S. GAAP adjustments.

***Non-derivative financial instruments***

The U.S. GAAP carrying values are equivalent to the IAS carrying values for all non-derivative financial assets and liabilities. Non-derivative financial assets consist of cash and cash equivalents. Non-derivative liabilities consist of bank or other current financial debts and non-current financial debt. The carrying amount of cash and cash equivalents and bank and other short-term financial debts approximates their estimated fair values, due to the current nature of these instruments. The fair value of non-current financial debt is estimated based on the current quoted market rates available for debt with similar terms and maturities.

***Taxes:***

Income tax expense in accordance with U.S. GAAP is comprised of the following:

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Current | (339) | (176) | (174) |
| Deferred | - | 33 | (16) |
| **Total income tax expense** | **(339)** | **(143)** | **(190)** |

Deferred income taxes in accordance with U.S. GAAP consists of the following :

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| Assets associated with | | | |
| - inventory | 131 | 93 | 83 |
| - accounts receivable | 58 | 22 | 3 |
| - property, plant and equipment | 40 | 32 | 65 |
| - pension and employee costs | 75 | 20 | 18 |
| - other provisions | 179 | 67 | 79 |
| - net operating losses | 111 | 129 | 60 |
| - other | 155 | 46 | 22 |
| Total assets | 749 | 409 | 330 |
| Less valuation allowance | (117) | (143) | (84) |
| **Total assets, net** | **632** | **266** | **246** |
| Liabilities associated with : | | | |
| - property, plant and equipment depreciation | 377 | 94 | 113 |
| - intangible assets | 928 | 355 | 439 |
| - other provisions and accruals | 362 | 198 | 181 |
| **Total liabilities** | **1,667** | **647** | **733** |
| **Net deferred tax asset/(liability)** | **(1,035)** | **(381)** | **(487)** |

A reversal of the valuation allowance could occur when circumstances result in the realisation of deferred tax assets becoming more likely than not. This would result in a decrease in Syngenta's effective tax rate.

The valuation allowance for deferred tax assets as of January 1, 2000, 1999, and 1998 was US$143 million, US$84 million, and US$59 million respectively. The net change in the total valuation allowance for the periods ended December 31, 2000, 1999 and 1998 was a decrease of US$26 million and an increase of US$59 million and US$25 million respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be recognized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or in which tax losses can be utilized. In making this assessment, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes that it is more likely than not that Syngenta will realize the benefits of these deductible differences, net of the existing valuation allowances, at December 31, 2000. The amount of the deferred tax asset considered realizable however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

The valuation allowances principally relate to deferred tax assets arising from taxable losses in jurisdictions where there was insufficient evidence to support the likelihood of their utilization against taxable profits in future periods. The specific jurisdictions where valuation allowances against tax losses have been established are principally in relation to entities in China, Switzerland and the U.S.A.

The major differences between the effective tax rate on a U.S. GAAP basis and the effective tax rate on an IAS basis presented in note 8, are caused by the effect of the lower pre-tax income on a U.S. GAAP basis compared to an IAS basis for all three of the years ended December 31, 2000, 1999 and 1998. Additionally, in respect of the year ended December 31, 2000 , US$365 million was charged to U.S. GAAP income for in process research and development on the acquisition of Zeneca agrochemicals business and this has impacted the effective tax rate on a U.S. GAAP basis.

Subsequently recognized tax benefits relating to the valuation allowance for deferred tax assets as of December 31, 2000 would be allocated as follows:

| (US$ million) | 2000 |
|---|---|
| Income tax benefit that would be reported in the consolidated statement of net income | 69 |
| Goodwill | 48 |
| **Total** | 117 |

**Foreign Currency Translation**

Syngenta has accounted for operations in highly-inflationary economies in accordance with IAS 21 (revised) and IAS 29. The accounting required under IAS 21 (revised) and IAS 29 complies with the rules as promulgated by the U.S Securities and Exchange Commission but is different from that required by U.S. GAAP. As such, no reconciling adjustment has been included for this difference between IAS and U.S. GAAP.

**Comprehensive income**

SFAS No. 130 "Reporting Comprehensive Income" established standards for the reporting and display of comprehensive income and its components. Comprehensive income includes net income on all changes in equity during a period that arise from non-owner sources, such as foreign currency items and unrealised gains and losses on securities available for sale. The additional disclosures required under U.S. GAAP are as follows:

| (US$ million) | 2000 | 1999 | 1998 |
|---|---|---|---|
| **Net income under U.S. GAAP:** | 180 | 64 | 169 |
| Other comprehensive income: | | | |
| Foreign currency translation adjustment | (108) | (403) | 175 |
| **Comprehensive income/(loss) under U.S. GAAP** | **72** | **(339)** | **344** |

**Employee benefit plans**

Presented below are the disclosures required by U.S. GAAP that are different from that provided under IAS. The following provides a reconciliation of benefit obligations, plan assets and funded status of the plan

| | Pension benefits | | | Other post-retirement benefits | | |
|---|---|---|---|---|---|---|
| **(US$ million)** | **2000** | **1999** | **1998** | **2000** | **1999** | **1998** |
| **Benefit obligation** | | | | | | |
| At beginning of year | 229 | 258 | 175 | 49 | 53 | 48 |
| Service cost | 17 | 12 | 7 | 1 | 2 | 1 |
| Interest cost | 21 | 9 | 10 | 3 | 4 | 3 |
| Net liability assumed from spin-off from Novartis benefit plan | 943 | - | - | - | - | - |
| Acquisition of Zeneca agrochemicals | 1,210 | - | - | 56 | - | - |
| Plan amendments | 3 | - | - | - | - | - |
| Actuarial (gain) loss | (130) | (16) | 52 | 2 | (3) | 3 |
| Foreign currency translation | 17 | (28) | 15 | - | (4) | 1 |
| Employee contributions | 2 | - | 2 | - | - | - |
| Benefit payments | (12) | (6) | (3) | (6) | (4) | (3) |
| **Benefit obligation at end of year** | **2,300** | **229** | **258** | **105** | **48** | **53** |
| **Plan assets at fair value** | | | | | | |
| At beginning of year | 225 | 224 | 192 | | | |
| Actual return on plan assets | 15 | 26 | 15 | | | |
| Net assets assumed from spin-off from Novartis benefits plans | 900 | - | - | - | - | |
| Acquisition of Zeneca agrochemicals | 1,186 | | | | | |
| Foreign currency translation | 20 | (29) | 13 | | | |
| Employer contribution | 17 | 10 | 5 | 6 | 4 | 3 |
| Employee contributions | 2 | - | 2 | - | - | - |
| Benefit payments | (12) | (6) | (3) | (6) | (4) | (3) |
| **Plan assets at fair value at end of year** | **2,353** | **225** | **224** | **-** | **-** | **-** |
| **Funded status** | 53 | (4) | (34) | (105) | (48) | (53) |
| Unrecognized transition (asset) | - | - | (1) | - | - | |
| Unrecognized actuarial (gain) loss | (105) | 15 | 48 | (4) | (7) | (6) |
| **Prepaid (accrued) benefit cost** | **(52)** | **11** | **13** | **(109)** | **(55)** | **(59)** |
| Amounts recognized in the balance | | | | | | |
| Prepaid benefit costs | 81 | 50 | 48 | - | - | - |
| Accrued benefit liability | (133) | (39) | (35) | (109) | (55) | (59) |
| **Net amount recognized** | **(52)** | **11** | **13** | **(109)** | **(55)** | **(59)** |
| **Benefit cost** | | | | | | |
| Service cost | 17 | 12 | 7 | 1 | 2 | 1 |
| Interest cost | 21 | 9 | 10 | 3 | 4 | 3 |
| Expected return on plan assets | (25) | (12) | (11) | - | - | - |
| Employee contributions | (2) | -- | (1) | - | - | - |
| Amortization of transition (asset) | - | (1) | (1) | - | - | - |
| Amortization of actuarial (gain) loss | 1 | 4 | - | - | - | 3 |
| **Net periodic benefit cost** | **12** | **12** | **4** | **4** | **6** | **7** |

| Weighted-average assumptions as Of December 31, | % | % | % | % | % | % |
|---|---|---|---|---|---|---|
| Discount rate | 5.6 | 4.4 | 4.3 | 7.1 | 6.6 | 5.8 |
| Rate of compensation increase | 2.6 | 1.2 | 3.6 | - | - | - |
| Expected return on plan assets | 5.6 | 5.4 | 5.7 | - | - | - |

The assumed health care cost trend rate at December 31, 2000 was 5.6%, decreasing to 5.2% in 2001 and thereafter.

A one-percentage-point change in the assumed health care cost trend rates compared to those used for 1999 would have the following effects:

| (US$ million) | 1% point increase | 1% point decrease |
|---|---|---|
| Effects on total of service and interest cost components | 1 | (1) |
| Effect on post retirement benefit obligations | 6 | (6) |

**Pro forma impact of acquisitions/disposals**

As noted in Note 3, the merger of Novartis agribusiness and Zeneca agrochemicals business resulted in the formation of Syngenta. For accounting purposes this transaction is presented in the consolidated financial statements as a purchase business combination with Novartis agribusiness being the acquirer of Zeneca agrochemicals business. Accordingly, the Zeneca agrochemicals business is a significant acquisition.

The consolidated financial statements present the results of operations of Novartis agribusiness on a stand alone basis up to the Separation Date, and results of operations of Syngenta, including the results of operations of Zeneca agrochemicals business, from the separation date to December 31, 2000. In order to present comparable financial data, unaudited pro forma combined financial data has been presented below for the years ended December 31, 2000 and 1999. This unaudited pro forma information is not necessarily indicative of the results of operations which would have been reported had the acquisition actually been completed as of January 1, 1999, nor of Syngenta's future results of operations.

The unaudited pro forma data summarizes the results of operations for the periods indicated as if the acquisition had been completed as of the beginning of January 1, 1999, giving effect to actual operating results of the combined businesses prior to the acquisition, prepared on a stand alone basis, and adjusted to include the pro forma effect of :

- interest expense on the debts incurred by Syngenta,
- depreciation of fixed assets,
- amortization of intangibles and goodwill, based on the allocated purchase price,
- divestments of product lines to obtain regulatory approval, and
- income taxes.

No adjustment has been included in the pro forma combined financial data for any anticipated operating costs savings nor for any one-time merger and consolidation costs expected to be incurred upon consummation of the transaction.

Unaudited pro forma per share amounts for the combined company are based on the total shares issued and outstanding after the Demerger and Global Offering.

**Unaudited selected pro forma combined financial data**

The unaudited selected pro forma combined financial data, in accordance with US GAAP, are estimated as follows:

| | 2000 | 1999 |
|---|---|---|
| Pro Forma Combined Statement of Income Data (US$ million) | | |
| Sales | 6,846 | 6,997 |
| Net income/(loss) | (12) | (105) |
| Earnings (loss) per share (US$) | | |
| Basic and diluted | (0.12) | (1.00) |
| Per share information: | | |
| Weighted average number of ordinary shares (in millions of shares) | 101.3 | 101.3 |

**Effect of New Accounting Pronouncements**

**International Accounting Standards**

IAS 12 (revised 2000) "Income Taxes" requires that current and deferred income taxes be measured at the tax rate applicable to undistributed earnings. The income tax consequences of dividends should be recognized when the related dividend is recognized in the financial statements. Syngenta believes that this revised standard will not have a material effect on the financial statements. This standard is effective for periods beginning on or after January 1, 2001.

IAS 19 (revised 2000) Employee Benefits" requires that, in measuring the obligation for a defined benefit plan, plan assets should include certain assets that were previously excluded because the employer was responsible for making payments to employees, but was then reimbursed by the plan. Plan assets also now include certain insurance policies that satisfy the same conditions as other plan assets, and that have economic effects similar to those other plan assets. Syngenta has not determined what effect, if any, this revised standard will have on the financial statements. This standard is effective for periods beginning on or after January 1, 2001.

IAS 39 "Financial Instruments : Recognition and Measurement" requires all financial assets and financial liabilities to be recognized on the balance sheet, including all derivatives. They are initially measured at cost, which is the fair value of whatever was paid or received to acquire the financial asset or liability. Subsequent to initial recognition, all financial assets should be measured to fair value except for certain specified exceptions. After acquisition most financial liabilities should be measured at original recorded amount less principal repayments and amortization. For those financial assets and liabilities that are remeasured to fair value, changes in fair value are recognized in the income statement except in respect of available-for-sale financial assets as well as certain qualifying hedges. Changes in the fair value of available-for-sale financial assets may be recognized in the income statement or in equity until the asset is sold. The adoption of IAS 39 as of January 1, 2001 did not have a material effect on Syngenta's consolidated financial statements.

In connection with IAS 39, various revisions have been made to IAS 32 "Financial Instruments : Disclosure and Presentation" in order to delete duplicate and redundant disclosures. The revisions to IAS 32 become effective for periods beginning on or after January 1, 2001. These revisions will not have any effect on the financial statements.

IAS 40 "Investment Property" prescribes the accounting treatment for investment property and related disclosure requirements. This standard replaces IAS 25 "Accounting for Investments" whereby an enterprise was permitted to choose from among a variety of accounting treatments for investment property. IAS 40 permits enterprises to choose either a fair value model or a cost model for the measurement of investment property. Under the fair value method, investment property should be measured at fair value and changes in fair value should be recognized in the income statement. Under the cost model, investment property should be measured at depreciated cost, less any accumulated impairment losses, with the related fair values disclosed. Syngenta has not determined what, if any, effect this new standard will have on the financial statements. This standard is effective for periods beginning on or after January 1, 2001.

**U.S. GAAP**

Statement of Financial Accounting Standards SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 137 and No. 138, requires all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income. The adoption of SFAS No 133 as of January 1, 2001 will result in the inclusion of a cash flow hedge reserve in equity of approximately US$4 million on a pre-tax basis and approximately US$3 million on an after-tax basis.

**33. Subsequent Events**

On January 31, 2001, Syngenta entered into an agreement to sell certain rights relating to the product sulcotrione to Bayer AG for US$105 million. The sale was to meet competition authority requirements regarding the merger to create Syngenta, and related to sales of this product in the countries of the European Economic Area (EEA). This product was acquired from Zeneca agrochemicals and the value of the product rights is included in other current assets. The sulcotrione business divested contributed sales of US$52 million and operating income of US$20 million in the year ended December 31, 2000.

These financial statements were approved by the Board on March 19, 2001.

All other schedules are omitted because they are not applicable or not required or because the required information is included in the financial statements or the notes thereto.

## SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYNGENTA AG

By: /s/ RICHARD STEIBLIN
Name: Richard Steiblin
Title: Chief Financial Officer

By: /S/ CHRISTOPH MÄDER
Name: Christoph Mäder
Title: Head of Legal and Taxes

Dated: June 7, 2001