SYNGENTA AG
Form 20-F
March 25, 2004

As filed with the Securities and Exchange Commission on March 25, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

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

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: **December 31, 2003**

OR

o 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.

x **Yes** o **No**

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

o **Item 17** x **Item 18**

Introduction

Nature of Operations

Syngenta AG (Syngenta , the Company , we or us) is a world-leading agribusiness that is involved in the discovery, development, manufacture and marketing of a range of products designed to improve crop yields and food quality. In addition, Syngenta is a leader in Professional Products , through the development of products for markets such as Seed Treatment, Turf and Ornamentals, Professional Pest Management, Vector Control and Public Health. Syngenta is headquartered in Basel, Switzerland and was formed by Novartis AG (Novartis) and AstraZeneca PLC (AstraZeneca) in November 2000 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 to Syngenta 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

We have prepared our consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), together with a reconciliation of net income and equity to United States Generally Accepted Accounting Principles (United States GAAP). 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 IFRS and United States GAAP, see Note 33 of the consolidated financial statements.

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

In this annual report, U.S. dollar , or U.S.$ means the currency of the United States. Swiss franc or CHF means the currency of Switzerland, British pounds sterling , British pounds , GBP and GB pounds means the currency of the United Kingdom; and euro 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.

A body of generally accepted accounting principles such as U.S. GAAP or IFRS is commonly referred to as GAAP . A non-GAAP financial measure is generally defined by the United States Securities and Exchange Commission as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. This report presents certain non-GAAP financial measures, primarily results excluding restructuring and impairment charges and comparative performance measured at constant exchange rates. In accordance with applicable rules and regulations, we have presented definitions and reconciliations of non-GAAP financial measures to the most comparable GAAP measures in Item 5 Operating and Financial Review and Prospects of this report. The non-GAAP financial measures described herein are not a substitute for GAAP measures, for which management has responsibility.

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 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 will not be able to obtain or maintain the necessary regulatory approvals for our business;*
- *the risks associated with potential changes in 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 climatic variations;*
- *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 foreign currency exchange rates;*
- *the risks associated with entering into single-source supply arrangements;*
- *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 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3 KEY INFORMATION

Selected Financial Data

Syngenta has prepared the consolidated financial statements in U.S. dollars and in accordance with International Financial Reporting Standards (IFRS), together with a reconciliation of net income and equity to US Generally Accepted Accounting Principles (U.S. GAAP). 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 IFRS and U.S. GAAP, see Note 33 of the consolidated financial statements.

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.

Financial Highlights

	Year ended December 31,				
(U.S.$ million except where stated)	**2003**	**2002**	**2001**	**2000**	**1999**
Amounts in accordance with IFRS(1)					
Income statement data					
Sales	6,578	6,197	6,323	4,876	4,678
Cost of goods sold	(3,293)	(3,132)	(3,199)	(2,442)	(2,367)
Gross profit	3,285	3,065	3,124	2,434	2,311
Operating expenses	(2,739)	(2,821)	(2,759)	(1,434)	(1,862)
Operating income	546	244	365	1,000	449
Income before taxes and minority interests	411	49	111	914	325
Net income/(loss)	**268**	**(27)**	**34**	**564**	**135**
Basic earnings/(loss) per share	2.64	(0.26)	0.34	7.61	1.97
Diluted earnings/(loss) per share	2.63	(0.26)	0.34	7.61	1.97
Cash dividends declared CHF per share	0.85	0.80	-	-	-

Cash flow data					
Cash flow from operating activities	799	802	548	610	618
Cash flow from/(used for) investing activities	(237)	(260)	(122)	1,045	(283)
Cash flow from/(used for) financing activities	(634)	(607)	(868)	(968)	(350)
Capital expenditure on tangible fixed assets	(221)	(165)	(253)	(185)	(185)
Balance Sheet data					
Current assets less current liabilities	1,816	1,139	880	(213)	289
Total assets	10,965	10,526	10,709	11,815	6,593
Total non-current liabilities	(2,933)	(2,938)	(3,110)	(2,147)	(757)
Total liabilities	(5,845)	(6,096)	(6,550)	(7,504)	(4,035)
Share capital	667	667	667	667	-
Total equity	5,053	4,350	4,086	4,210	2,481
Other supplementary income data					
Net income excluding restructuring and impairment (2)	363	265	223	210	190
Basic earnings/(loss) per share, excluding restructuring and impairment (2)	3.57	2.61	2.20	2.83	2.75
Diluted earnings/(loss) per share, excluding restructuring and impairment (2)	3.56	2.61	2.20	2.83	2.75
Amounts in accordance with U.S. GAAP					
Sales	6,578	6,197	6,323	4,876	4,678
Net income/(loss)	262	(165)	(247)	180	64
Total assets (unaudited)	11,411	11,020	11,338	12,826	7,944
Total non-current liabilities (unaudited)	(3,141)	(3,133)	(3,300)	(2,621)	(1,175)
Total equity	5,195	4,533	4,417	4,820	3,491
Basic and diluted earnings/(loss) per share	2.57	(1.62)	(2.44)	2.43	0.93

Notes

(1) Syngenta has prepared the consolidated financial statements in U.S. dollars and in accordance with International Financial Reporting Standards (IFRS), together with a reconciliation of net income and equity to US Generally Accepted Accounting

Principles (U.S. GAAP). The basis of preparation of the consolidated financial statements and the key accounting policies are discussed in Notes 1 and 2, respectively, to the consolidated financial statements. For a discussion of the significant differences between IFRS and U.S. GAAP, see Note 33 to the consolidated financial statements.

When reading the consolidated financial statements, the following needs to be considered. For accounting and financial purposes, the transactions forming Syngenta are treated as a purchase of Zeneca agrochemicals business by Novartis agribusiness with effect from November 13, 2000. As such, the consolidated financial statements do not include the financial results of Zeneca agrochemicals business prior to November 13, 2000, and are not indicative of the performance of Syngenta prior to this date. The basis of preparation for the years 1999 and 2000 is explained further in Appendix A of Item 5.

(2) Restructuring represents the effect on reported performance of initiating business changes which are considered major and which, in the opinion of management, will have a material effect on the nature and focus of Syngenta s operations, and therefore require separate disclosure to provide a more thorough understanding of business performance. Restructuring includes the effects of completing and integrating significant business combinations and divestments. Restructuring and impairment includes the impairment costs associated with major restructuring and also impairment losses and reversals of impairment losses resulting from major changes in the markets in which a reported segment operates. The incidence of these business changes may be periodic and the effect on reported performance of initiating them will vary from period to period. Because each such business change is different in nature and scope, there will be little continuity in the detailed composition and size of the reported amounts which affect performance in successive periods. Separate disclosure of these amounts facilitates the understanding of underlying performance.

Restructuring and impairment charges for 2003, 2002 and 2001 are analyzed in Note 6 to the consolidated financial statements. Restructuring and impairment for 2000 consisted of US$261 million of restructuring costs, US$68 million of merger costs and US$785 million of product divestment gains in connection with the transactions which formed Syngenta. Restructuring and impairment for 1999 consisted mainly of US$67 million in costs of the Focus restructuring project in Novartis agribusiness. A detailed reconciliation of net income and earnings per share before restructuring and impairment to net income and earnings per share according to IFRS is given in Appendix A of Item 5.

Risk Factors

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

The Resources Syngenta Devotes to Research and Development May Not Result in Commercially Viable Products

Syngenta s success depends in part on its ability to develop new 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, plant variety or trait 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 neither survive the development process nor ultimately receive 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 Syngenta s new products.

Syngenta Faces Increasing Competition in Its Industry, Especially During Downturns in Commodity Crop Prices

Syngenta currently faces significant competition in the markets in which it operates. In most segments of the market, the number of products available to the grower is steadily increasing as new products are introduced, although this trend has recently been

slowed as some products are withdrawn because they are not re-registered or are subject to voluntary range rationalization programmes. At the same time, an increasing number of products are coming off patent and are thus available to generic manufacturers for production. As a result, Syngenta anticipates that it will continue to face significant competitive challenges.

Although pricing of products is only one of a series of factors affecting competition, it intensifies the competitive environment in our industry. Movements in commodity crop prices can affect Syngenta s results. 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 has been the case in recent years. These fluctuations may negatively impact Syngenta s business, financial condition or results of operations in the future.

Syngenta May Not Be Able to Obtain or Maintain the Necessary Regulatory Approvals for Some of Its Products, and This Would Restrict Its Ability to Sell Those Products in Some Markets

Syngenta s products must receive regulatory approval before they can be marketed, but it may not be able to obtain such approvals. In most markets, including the United States and the EU, crop protection products must be registered after being tested for safety, efficacy and environmental impact. In most of Syngenta s principal markets, after a period of time, Syngenta must also re-register its 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.

Regulatory standards and trial procedures are continuously changing. Responding to these changes and meeting existing and new requirements may be costly and burdensome. Syngenta cannot guarantee that it will be successful in doing so in all of its markets or for every product.

Changes in the Agricultural Policies of Governments and International Organizations May Prove Unfavorable

In subsidized markets such as the United States, EU and Japan, reduction of subsidies to growers may inhibit the growth of crop protection and seeds markets. In Europe, there are various pressures to reduce subsidies. However, it is difficult to predict accurately whether and when such changes will occur. Japan is also under World Trade Organization (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.

Syngenta Is Subject to Stringent Environmental, and Health and Safety Laws, Regulations and Standards Which Can Result in Compliance Costs and Remediation Efforts That May Adversely Affect Its Operational and Financial Position

Syngenta is subject to a broad range of increasingly stringent laws, regulations and standards in all of its operational jurisdictions. This results in significant compliance costs and can expose it to legal liability. These requirements are comprehensive and cover many activities including: air emissions, waste water discharges, the use and handling of hazardous materials, waste disposal practices, the clean-up of existing environmental contamination and the use of chemicals by growers.

Environmental and health and safety laws, regulations and standards expose Syngenta 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 Syngenta s, soil and groundwater contamination has occurred in the past at some sites, and may be identified at other sites in the future. Disposal of waste from our business at off-site locations also exposes Syngenta to potential remediation costs. Consistent with past practice Syngenta is 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, Syngenta may face remediation liabilities and legal proceedings concerning environmental matters.

Based on information presently available, Syngenta has budgeted expenditures for environmental improvement projects and has established provisions for known environmental remediation liabilities that are probable and capable of estimation. However, it cannot predict environmental matters with certainty, and the budgeted amounts and established provisions may not be adequate for all purposes. In addition, the development or discovery of new facts, events, circumstances, changes in law or conditions, including future decisions to close plants which may trigger remediation liabilities, could result in increased costs and liabilities or prevent or restrict some of Syngenta s operations.

Third Parties May Challenge Some of Syngenta s Intellectual Property Rights or Assert That Syngenta Has Infringed Theirs

Scientific and technological innovation is critical to the long-term success of our businesses. However, third parties may challenge the measures that Syngenta takes 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 Syngenta s products violate their intellectual property rights. As the number of biotechnological products used in agriculture increases and the functionality of these products further overlap, Syngenta believes that it may become increasingly subject to infringement claims. Even claims without merit are time-consuming and expensive to defend. As a result of these claims, Syngenta could be required to enter into license arrangements, develop non-infringing products or engage in litigation that could be costly.

Syngenta 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 Syngenta, particularly as we are involved in the supply of chemical products which can be harmful to humans and the environment. Courts have levied 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. While we have a global insurance program in place, a substantial product liability claim that is not covered by insurance could have a material adverse effect on Syngenta operating results or financial condition.

Consumer and Government Resistance to Genetically Modified Organisms May Negatively Affect Syngenta s Public Image and Reduce Sales

Syngenta is active in the field of genetically modified organisms in the seeds area and in biotechnology research and development in seeds and crop protection, with a current focus on North and South America. However, the high public profile of biotechnology and lack of consumer acceptance of products to which Syngenta has devoted substantial resources could negatively affect its public image and results. The current resistance from consumer groups, particularly in Europe, to 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, some government authori-

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ties have enacted and others in the future might enact regulations regarding genetically modified organisms which may delay and limit or even prohibit the development and sale of such products.

Syngenta s 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 Syngenta s traditional crop protection business. This may not be offset, in whole or in part, by the opportunities presented to our seeds and plant science businesses, which are more actively pursuing products and traits developed through biotechnology. Crop protection accounted for 84% of sales in 2003, whereas seeds accounted for 16% of sales. The area of Syngenta s 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,

although genetically modified seeds impact on the crop protection markets in corn and cotton is also significant and growing.

Syngenta s Results May Be Affected by Climatic Variations

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).

Syngenta s Customers May Be Unable to Pay Their Debts to Syngenta Due to Local Economic Conditions

Normally Syngenta delivers its products against future payment. Syngenta s credit terms vary according to local market practice, but for Europe and NAFTA our credit terms usually range from 30 to 180 days. However, Syngenta s customers, particularly in developing economies such as Latin America, may be exposed to downturns which may impact their ability to pay their debts, which could adversely affect our results.

Currency Fluctuations May Have a Harmful Impact on Syngenta s Financial Results or May Increase Its Liabilities

Syngenta reports its results in U.S. dollars; however 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.

Syngenta Maintains a Single Supplier for Some Raw Materials, Which May Affect Its Ability to Obtain Sufficient Amounts of Those Materials

While Syngenta generally maintains multiple sources of supply and obtains supplies of raw materials from a number of countries, there are a limited number of instances where Syngenta has entered into single-source supply contracts or where Syngenta routinely makes 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. Syngenta cannot assure you that its ability to obtain sufficient amounts of those materials will not be adversely affected by unforeseen developments that would cause it to lose a supplier without notice.

Syngenta Will be Exposed to Changes in the Market Rate of Interest Which May Adversely Affect Its Results

Syngenta is exposed to changes in the market rate of interest. Syngenta s treasury policy strives to limit this exposure through appropriate hedging with derivative financial instruments. However, such hedging may not be successful and changes in interest rates may thus negatively affect Syngenta s results.

Syngenta s Share Price May Be Volatile and Subject to Sudden and Significant Drops

The trading price of Syngenta shares and ADRs has been, and could in the future continue to be, subject to significant fluctuations in response to variations in Syngenta s financial performance, regulatory and business conditions in its industry, general economic trends and other factors, some of which are unrelated to the operating performance of Syngenta.

If You Hold Syngenta ADRs 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.

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

History and Development of the Company

The Company

Syngenta AG was formed in November 1999 under the laws of Switzerland and became a public company in November 2000. Syngenta is domiciled in and governed by the laws of Switzerland. It 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 s registered agent for service of process in the United States is CT Corporation System. CT Corporation System s address is 111 Eighth Avenue, New York, NY 10011, United States.

Syngenta was created by Novartis AG and AstraZeneca PLC in November 2000 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 Transactions).

As at December 31, 2003, the company is listed on the Swiss Stock Exchange (SWX) under the symbol SYNN and the New York Stock Exchange under the symbol SYT. Syngenta de-listed its shares from the London Stock Exchange and the Stockholm Stock Exchange as of December 30, 2003 due to the low level of trading on these exchanges. The shares were listed on these two stock exchanges at the time of Syngenta s floatation to reflect the shareholder base of the two legacy companies.

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 US$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.

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 US$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 1930s.

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 respectively, 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 .

Regulatory Approval

The required waiting period for completion of the Transactions under the United States 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 and includes the brands 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 fulfilled their commitments in December 2001.

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 in connection with the demergers and combinations qualified as tax-privileged transactions under Swiss tax laws provided the transactions are effected in a manner consistent with the ruling.

Corporate Income and Real Estate Taxes

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 existed 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.

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

Stamp Duty

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 of 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 at 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.

United States

Under Section 355(e) of the United States Internal Revenue Code, Novartis may be held liable for United States 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 ADRs, 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 was prevented from substantially changing its shareholder base for at least two years after the completion of the Transactions, which period ended in 2002. 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 United States federal income tax law. This indemnity would cover, in particular, any United States federal income tax liability incurred by Novartis if

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such actions caused the demerger of the Novartis agribusiness to no longer be treated as a tax-free spin-off for United States federal income tax purposes. See Item 10 Additional Information Material Contracts The Separation Agreements Tax Deed .

Investments

Investments

In 2003, Syngenta acquired additional shares in the publicly listed subsidiary Syngenta India Limited, increasing Syngenta s shareholding to 84% from 51% at a cost of US$29 million. In another transaction, Syngenta granted an exclusive, royalty-free perpetual license for certain intellectual property for use in the pharmaceutical field to Diversa Corporation in exchange for stock and warrants representing 14% and 3% respectively of Diversa s then outstanding stock pro forma for the equity issuances. Syngenta also entered into a minimum five year research collaboration agreement with Diversa as part of this transaction. In 2002 payment of US$120 million was made to obtain worldwide, exclusive rights to the insecticide thiamethoxam. In 2001, the main investment made by Syngenta was the increase in equity in Tomono Agrica KK Ltd (Japan). In 1999 Novartis agribusiness increased its equity investment in Tomono Agrica to 50% and gained management control. In September 2001 Syngenta bought a further 50% of Tomono Agrica s shares, increasing its shareholding to 100%. No material equity acquisitions have been finalized in 2004 to date but investment has continued in strengthening Syngenta s germplasm and product rights portfolio, including the acquisition of corn germplasm, breeding materials and inbreds from the U.S. based company CHS Research. LLC, as announced on February 20, 2004.

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 acetochlor-based herbicide products to Dow AgroSciences LLC and the selling of the strobilurin fungicide product line Flint® to Bayer AG. The divestments completed in 2001 include the sales of the grass herbicide propaquiza-fop and the pyrethroid insecticide tau-fluvalinate to Makhteshim Agan Industries Ltd, the sale of Syngenta s sulcotrione herbicide Mikado® in the European Economic Area to Bayer AG, the divestment of Syngenta s global flutriafol fungicide business to Cheminova A/S and the divestment to Makhteshim Agan Ltd. of Syngenta s former Novartis cereal fungicide product range in Denmark, Sweden and Finland. All divestments required to satisfy the conditions imposed by the FTC and the European Commission in connection with the formation

of Syngenta were completed before the end of 2001 and there were no major business or product divestments in 2002 or 2003.

Syngenta s Strategy

Syngenta s goal is to create value for its shareholders by being the leading provider of innovative products and solutions to growers and the food and feed chain.

There are five principal components to Syngenta s strategy to achieve this goal:

Capitalize on the Strengths of Syngenta s Global Crop Protection and Seeds Businesses

One of Syngenta s key strengths is its broad base of strong, profitable products in its two main divisions: crop protection and seeds. Syngenta builds on these strengths by continuing to manage 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 meet corporate expectations. Wherever appropriate Syngenta looks for opportunities to capture synergies across these two divisions, primarily in research and development, manufacturing 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

Syngenta seeks 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 adapted to meet 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 products that will help them meet the increasing 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 for 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 crop destination, 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*

  We offer value-adding solutions tailored to local customer needs. Growers are increasingly requiring 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 include crop protection products, 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 for these changes while pursuing a strategy of deepening our understanding of the needs of growers and the downstream food and feed chain.

Exploit Research and Development Opportunities That Have the Potential to Deliver Innovative Products and Solutions

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 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 the 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 became the world s largest-selling proprietary fungicide three years after launch.

- *Harness the full potential of our established products and technologies, including by extending their life cycles through research and development activities*

  We believe that we possess one of the broadest range of chemical crop protection products and technologies in the industry. We plan to refresh and improve this range, in the form of individual compounds and as innovative mixtures. 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 technologies and to innovating in technologies for 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 wheat and rice, herbicide tolerant corn)*
- *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., enhanced phosphorus nutrition)*
- *Corn enhanced through biotechnology that expresses high levels of amylase for ethanol production (improved process efficiency will lead to substantial environmental benefits and production cost savings)*
- *Improved quality of food crops and better processing characteristics (e.g., improved wheat for breadmaking)*
- *Dietary contributions to health (e.g., high beta-carotene rice)*

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. 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 plan to continue to develop our outlicensing business through broad exploitation of our intellectual property.

- *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 numerous collaborations with institutes and companies worldwide. We intend to use our external network to enrich in-house programs in the quest for the next generation of technology.

- *Biotechnology*

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

Syngenta believes that through plant biotechnology, it has the potential to bring considerable benefits to mankind in both developed and developing countries. Syngenta remains committed to the use of gene-based technologies that are safe and effective. At the same time we recognize the current public concerns surrounding the use of bio-technology. These attitudes vary greatly from region to region. In North America and many emerging markets, this technology has been generally accepted. However, in Europe, genetic modification as a route to novel foods and feed continues to be the subject of debate. Political parties, consumer groups, and some governments have expressed their concerns in terms of food safety and environmental issues. Delays in the regulatory and political processes in the EU have meant a delay in product approvals, and although recent developments have indicated an unblocking of this process, significant progress has yet to occur.

Syngenta is a major participant in the public debate. Syngenta s activities have been conducted in conjunction with its local constituencies and through trade associations around the world. Syngenta s approach to its 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 statements of the benefits of biotechnology in terms of cost and quality*
- *emphasis on consumer choice*

Syngenta s approach to innovation seeks to take into full consideration the range of public attitudes around the world. For instance in Europe, it will be important to focus on consumer benefits in order to foster widespread confidence. In the developing world, the promise of biotechnology for food production and health improvement is considerable. For example, Syngenta is contributing to the development of Golden Rice which produces beta-carotene, a precursor of vitamin A, in partnership with the public sector. 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, it will introduce techniques which mitigate perceived risks. For example, Syngenta has introduced a novel marker gene system called POSITECH as a new 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, Syngenta believes that products created through biotechnology will gain widespread public acceptance. However, public reaction to biotechnology continues to evolve and Syngenta cannot provide absolute assurance of how quickly such products will receive widespread support.

Realize the Savings from the Merger Synergy Program and Sustain Competitiveness and Operational Excellence Through the Operational Efficiency Program

At the time of the merger of Novartis agribusiness with Zeneca agrochemicals business, US$525 million of total cost savings were identified through the implementation of synergy programs at an estimated cost of US$900 million. This was increased in 2002 to forecast annualized cost savings of US$625 million at a projected total cash cost of around US$1 billion. The cumulative net cash cost to date related to the merger, integration and synergy program is around US$821 million after sundry associated asset disposal proceeds. Since the start of the program, cumulative annual savings of US$559 million have been generated, including an additional US$197 million in 2003. It is now expected that the target savings will be achieved in 2004, a year ahead of schedule. Synergy programs relate to the following three areas.

- *Cost of goods sold: During 2003, we achieved additional annual savings of US$94 million, to add to the US$60 million in 2002 and the US$50 million achieved in 2001.*

- *Selling, General and Administrative: Further annual savings of US$55 million were realized in 2003 in addition to the US$91 million in 2002 and the US$95 million in 2001.*

- *Research & Development: Additional annual savings of US$48 million were achieved in 2003, on top of the US$46 million in 2002 and US$20 million realized in 2001.*

Since the merger, Syngenta has reduced the total number of its employees by some 3,600.

On February 11, 2004, Syngenta announced an operational efficiency program to sustain operational excellence and to deliver further annual cost savings of US$300 million per annum by 2008. This program will include the relocation of assets to lower cost regions, a further reduction of the asset base, an increase in the globalization of purchasing and the outsourcing of some administrative processes. The total cash cost of the program will be around US$500 million over five years and non-cash charges, principally writing-down the value of fixed assets, are expected to be around US$350 million. Specific announcements on the closure of two manufacturing sites, one in Switzerland and one in the United States, and the rationalization of two further manufacturing sites were made on the same date. Production from these sites will be relocated and costs related to these site announcements had been included in the above totals.

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 need to utilize fully the breadth and depth of our employees talent. To achieve this we have established clear and decisive management processes that include:

- *Uniform, transparent, global reporting systems and clear decision-making processes for Syngenta managers;*

- *Clear personnel management processes that appropriately identify, recognize, develop and reward our best employees;*

- *Local empowerment of management with clear accountability and success criteria; and*

- *Performance-driven employee compensation.*

Syngenta also operates 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 that we attract, retain and motivate the key talent necessary to succeed in a competitive and international environment.

Business Overview

Industry Overview

The crop protection and seeds industries offer products that provide essential support to modern agriculture. Contributions from both industries have 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 three segments: crop protection, seeds and plant science. These segments are described in greater detail below.

Crop Protection

Products

Syngenta has a broad product range, making Syngenta number one or two in all of its target segments, underpinned by strong worldwide market coverage. Syngenta focuses on all major crops, in particular corn, cereals, vegetables and rice, and applies its technologies to other crops, such as oilseeds, sugar beets, cotton, fruits and grapes, and to turf and ornamentals.

Syngenta is 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 treatments, 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, light 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 and quality. Insecticides are products that control chewing pests such as caterpillars and sucking pests such as aphids, which reduce crop yields and quality. Professional products are herbicides, insecticides and fungicides used in markets beyond commercial agricultural, together with seeds treatments where insecticides and fungicides protect growth during the early stages.

The following table sets out 2003, 2002 and 2001 sales of our crop protection products:

	Syngenta Sales					
Products	**2003 (US$ million)**	**(%)**	**2002 (US$ million)**	**(%)**	**2001 (US$ million)**	**(%)**
Selective herbicides	1,717	31	1,606	31	1,722	31
Non-selective herbicides	616	11	650	12	687	13
Fungicides	1,438	26	1,398	27	1,392	26
Insecticides	960	18	855	16	944	18
Professional products	642	12	585	11	522	10
Others	134	2	166	3	118	2
Total	**5,507**	**100**	**5,260**	**100**	**5,385**	**100**

The tables below show Syngenta s principal products: (1) currently in development; (2) recently launched; and (3) key marketed. 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 five years.

	Currently in Development	
Active Substance	**Crop Use**	**Status**
Selective Herbicides		
New herbicide 407	Cereals	In development
Fungicide		
New fungicide 446	Fruits and vegetables	In development

	Recently Launched Products (last 5 years)		
Active Substance	**Selected Brand Names(1)**	**Crop Use**	**Targets**
Selective Herbicides			

Pyriftalid	*APIRO®*	Rice	Annual grasses in transplanted rice
Mesotrione(2)	*CALLISTO® /LUMAX® / CAMIX®*	Corn	Broad-leaved weeds / full spectrum
Trifloxysulfuron-sodium	*ENVOKE® , KRISMAT®, MONUMENT*	Cotton, sugarcane, turf	Post-emergence selective herbicide against broad-leaved weeds, sedges and grasses
Fungicides			
Picoxystrobin	*ACANTO*	Wheat and barley	Broad spectrum
Insecticides			
Emamectin Benzoate	*PROCLAIM®/AFFIRM®*	Vegetables	Caterpillars
Thiamethoxam	*ACTARA®/CRUISER®*	Broad range of crops including seed treatment	Foliar sucking pests and soil dwelling insects

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

(2) In connection with the divestiture of its acetochlor business, Syngenta has granted to Dow AgroSciences LLC the right to formulate, market and sell in North America a mixture product of mesotrione and acetochlor.

Key Marketed Products

Active Substance	Selected Brand Names(1)	Crop Use	Targets
Selective Herbicides			
Atrazine	AATREX®/GESAPRIM®(2)	Corn, sorghum, sugarcane	Annual grasses and some broad-leaved weeds
Clodinafop	TOPIK®/HORIZON®/ CELIO®/DISCOVER®	Wheat, rye, triticale	Annual grasses
Dicamba	BANVEL®	Cereals, corn, turf, sugarcane	Annual and perennial broad-leaved weeds
Dimethachlor	COLZOR TRIO®	Colza	Broad spectrum
Fluazifop-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
Nicosulfuron	MILAGRO® (4)	Corn	Grass weeds
Pretilachlor	RIFIT® / SOFIT®	Rice	Grasses, sedges and some broad-leaved weeds
S-metolachlor	DUAL MAGNUM® / DUAL GOLD® / BICEP MAGNUM®	Corn, soybeans, peanuts, sugar beet, sunflowers	Annual grasses and some broad-leaved weeds
Tralkoxydim	ACHIEVE®/GRASP®	Wheat, barley	Grass weeds
Triasulfuron	LOGRAN®/AMBER®	Cereals, transplanted rice	

			Annual broad-leaved weeds and some grasses
Non-Selective Herbicides			
Diamonium Glyphosate	TOUCHDOWN® / ZAPP® / OURAGAN®	Cotton, all field crops, fruits and vegetables	Broad spectrum weed control
Diquat	REGLONE®	Wheat, sunflower, oilseed rape, potatoes	Broad spectrum weed control; desiccation
Paraquat	GRAMOXONE®	Cereals, rice, soybeans, corn, fruit and vegetables	Broad spectrum weed control
Fungicides			
Azoxystrobin	AMISTAR®/QUADRIS®/ HERITAGE®/ABOUND®	Wheat, barley, fruit and vegetables, rice, turf	Broad spectrum disease control
Chlorothalonil	BRAVO®/DACONIL®	Fruit and vegetables, wheat, turf	Broad spectrum disease control
Cyproconazole	ALTO® (5)	Cereals, coffee, peanuts, rice, sugar beet, stone fruits	Powdery mildew, rust, leaf spots
Cyprodinil	UNIX®/STEREO®(6) /SWITCH® CHORUS®	Pome fruits, stone fruits, cereals, grapes, vegetables	Scab, Alternaria, powdery mildew, eyespot, Botrytis, grey mold
Difenoconazole	SCORE®/DIVIDEND®	Vegetables, field crops, plantation crops and seed treatment	Broad spectrum disease control
Fluazinam(7)	SHIRLAN®	Potatoes	Potato late blight, flower bulb and onion diseases
Fludioxonil	CELEST® /MAXIM®/ GE-OXE® / MEDALLION®	Seed treatment, grapes, turf, vegetables	Bunt, snow mold seedling blights, scurf, Botrytis, dollar spot

Key Marketed Products

Active Substance	Selected Brand Names(1)	Crop Use	Targets
MEFENOXAM (3)	RIDOMIL GOLD® / FOLIO GOLD / APRON®XL / SUBDUE®	Broad range, including potatoes, grapes, vegetables, seed treatment and turf and ornamentals	Late blight, downy mildew and damping off diseases
Propiconazole	TILT® (8) / BANNER®	Cereals, bananas, rice and turf	Broad spectrum disease control
Trinexapac-ethyl	MODDUS®/PRIMO®	Sugarcane, cereals, turf	Increases sugar content, antilodging, reduces grass growth
Insecticides			
Abamectin	VERTIMEC®/AGRIMEK®	Citrus fruits, vegetables, pome fruits, ornamentals	Mites, leafminers and some caterpillars
Methidathion	SUPRACIDE®	Fruits, nuts	Scales, caterpillars
Lambda-cyhalothrin	KARATE®/ICON®	Cotton, corn, fruit and vegetables, soybeans, public health	Broad spectrum insect control
Lufenuron	MATCH®	Corn, potatoes, citrus, vegetables, cotton	Caterpillars, leafminers, western flower thrips
Fosthiazate	NEMATHORIN® (4)	Potato, banana, tomato	Nematodes

Pymetrozine	CHESS® / PLENUM®	Vegetables, fruits, potatoes	Aphids, white flies and leaf hoppers
Profenofos	CURACRON®	Cotton, potatoes, soybeans and vegetables	Caterpillars, sucking insects, mites
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 directly (including the trade mark *GESAPRIM®*) in France. In the US, the EPA grated atrazine a favorable registration decision. However, atrazine and its sister herbicides simazine were not granted re-registration in the European Union.

(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 *ORDRAM®* SOPRA in France for use on rice until 2008. In the US, Syngenta has announced its intention to phase out molinate and to cancel its US registrations by the end of June 2008.

(4) Product distributed on behalf of Isihara Sangyo Kaisha Ltd. (ISK).

(5) 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 recommence sales of cyproconazole straight, under the *ALTO®* (or other) name in 2005 at the latest.

(6) 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.

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

(8) 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.

Selective Herbicides

We have a broad range of selective herbicides that control grasses and broad-leaved weeds and are applicable to most crops with a special emphasis on corn and cereals.

Product In Development

- *407, a new herbicide for the control of grasses in cereals (wheat and barley).*

Recently Launched Products

- *APIRO ® was successfully launched in South Korea (2002) and Japan (2003). This family of products contains pyriftalid in combination with proprietary pretilachlor and other rice herbicides.*

- *CALLISTO® was successfully launched in the United States, Germany, France, Italy, Spain, Austria, Holland and other countries. It has received registration in the United States under the reduced risk scheme reflecting its favorable environmental and toxicological profile and was recognized as the most successful product launch in the market the year it was introduced by the American Agricultural Marketing Association. This is a post-emergence herbicide with a very broad spectrum against key broad-leaved weeds in corn.*

- *LUMAX® and CAMIX® are combination products from the Callisto family containing mesotrione, S-metolachlor and atrazine (LUMAX®) or mesotrione and S-metolachlor (CAMIX®). They are pre-emergence products for use in corn and provide broad spectrum weed control. Both products have received registrations in the United States and were successfully launched in the 2003 season.*

- *ENVOKE® and KRISMAT® have been launched in Brazil as new broad-spectrum herbicides in cotton and sugarcane against grasses, dicots and sedges. Syngenta has already received registrations for use on sugarcane in Colombia and in several Central American countries (KRISMAT®) as well as for use on cotton in Brazil, Argentina and Australia (ENVOKE®). Registration in the United States was obtained in the third quarter of 2003 for use on cotton, sugarcane and tomatoes.*

Key Marketed Products

- *AATREX® and GESAPRIM® act mainly against annual grasses and broad-leaved weeds. Although the active substance, atrazine, was introduced in 1957, and 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. In the European Union (EU) atrazine was not granted re-registration. In European markets Syngenta will extend the use of terbuthylazine which has already been safely used in Germany and Italy for several years.*

- *DUAL GOLD® and DUAL MAGNUM® are replacing our top-selling metolachlor products of the DUAL® family. 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 triazine herbicides such as in BICEP MAGNUM®, GARDO® GOLD® or PRIMAGRAM® GOLD®.*

- *MILAGRO® is distributed on behalf of Isihara Sangyo Kaisha Ltd. (ISK) and used post-emergence in corn against grass weeds. It completes the spectrum of our newly launched CALLISTO® .*

- *TOPIK®, HORIZON®, CELIO® and DISCOVER® are grass herbicides. They provide the broadest spectrum of annual grass control currently available for wheat. To further increase crop safety in cereals the active substance clodinafop is mixed with the safener cloquintocet, which selectively enhances the degradation of clodinafop in wheat but not in the grass weeds.*

- *BANVEL® is a herbicide that controls broad-leaved weeds in corn and small grain cereals and that is used also in turf and ornamentals, pastures and non-crop land. Dicamba has an excellent toxicological and environmental pro-*

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file. 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® 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.*

- *FUSILADE® is one of the leading products for post-emergence control of grass weed. It is registered for use in over 60 crops with major outlets in cotton and soybeans in the United States and sugar beet and oilseed rape in Europe. The selective action of FUSILADE® allows growers to target applications when grass weeds appear, allowing cost-effective weed control.*

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

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

- *RIFIT® is a pre-emergence grass killer for use in transplanted rice. In its safened form, under the trademark SOFIT®, it can also be used on wet sown rice.*

- *COLZOR TRIO® is a broad-spectrum herbicide for use in oilseed rape.*

Non-Selective Herbicides

Key Marketed Products

- *GRAMOXONE® is our principal brand name for paraquat, a non-selective contact herbicide first introduced in 1962. Paraquat is one of the world s largest selling herbicides. It has been a vital 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. In 2003, Paraquat was included in Annex I allowing for continued registration of Paraquat products in EU countries, while re-registration in Malaysia was refused.*

- *TOUCHDOWN®, a non-selective herbicide with systemic activity, is a premium product in the market for glyphosate-based products. The product has been enhanced by the launch of the IQ technology which positions the product at the top end of glyphosate performance. 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. New and improved formulations of Touchdown have been registered in the US including Touchdown IQ , Touchdown® CF and Touchdown Total .*

- *REGLONE®, a non-selective contact herbicide mainly used as a desiccant to allow easier harvesting and reduce drying costs.*

Fungicides

Product In Development

- *446, a new fungicide for fruits and vegetables.*

Recently Launched Product

- *ACANTO , a new strobilurin fungicide for early treatment in wheat and barley, is sold in the United Kingdom, Germany, France, Ireland, Austria, Switzerland, Belgium and the Netherlands.*

Key Marketed Products

- *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. In Brazil, it is successfully being used to control Asian rust in soybeans in a mixture with Alto branded as Priori Xtra.*

- *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.*

- *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, rice, corn, peanuts, sugar beet, 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, sugar beet, 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, sugar beets, peanuts, potatoes, pome fruits, grapes, rice and vegetables.*

- *RIDOMIL GOLD® is based on MEFENOXAM (1), and acts against late blight and downy mildew diseases. It is applied to foliage or soil and is effective on potatoes, grapes, tobacco, vegetables, citrus, soybeans, turf and ornamentals. It has been introduced in major markets and will continue to be introduced in additional countries.*

- *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, sugar beet and coffee. Pursuant to the commitments given to the European Commission, Syngenta has granted an exclusive license to manufacture, use and sell cyproconazole directly in the European Economic Area to Bayer, under Bayer s own trade name. Syngenta will be permitted to re-commence sales of cyproconazole directly, under the ALTO® (or other) brand name, in 2005 at the latest.*

- *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 and remain upright until harvest. In sugarcane it is a yield enhancer and harvest management tool.*

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

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(1) In the United States Mefenoxam is a generic expression whereas in other countries *MEFENOXAM* is a trademark of Syngenta Participations AG to denominate the active ingredient Metalaxyl-M (ISO name).

Insecticides

Recently Launched Products

- *ACTARA® is highly active at low use rates against a broad spectrum of soil and sucking insects. It 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. Additional registrations in Italy, Portugal and Switzerland were achieved in 2003.*

- *PROCLAIM® or AFFIRM® provides control of caterpillars on vegetables, cotton and fruits, combining a unique mode of action with extremely low use rates and is compatible with integrated pest management. It has been launched in major markets such as Japan, Korea, the United States, Mexico and Australia and is under registration in many other countries.*

Key Marketed Products

- *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.*

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

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

- *MATCH® is an insect growth regulator that controls caterpillars in corn, potatoes, cotton, vegetables and fruits. It is a leading insecticide in terms of sales in its chemical class.*

- *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, Syngenta expands the use of its crop protection products into additional areas, such as seed treatment, turf, ornamentals and public health.

Recently Launched Products

- *CRUISER® is a seed treatment brand (see below for description of seed treatment) for the insecticide thiamethoxam. It has systemic activity in a wide range of crops including cereals, cotton, soybeans, canola, sugar beet, 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.

- *IMPASSE® is a new innovative technology which offers pre-construction termite control for new homes and buildings. The product was registered in the United States in October 2002 and the company launched the IMPASSE® Termite System for the building industry in 2003.*

Key Marketed Products

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 the 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 seeds increase in value, seed protection becomes more important. The following are our key marketed products:

- *DIVIDEND® 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 effect. It is safe for the seed and the seedling and provides for a faster germination than other products in the market.*

- *APRON® XL is a MEFENOXAM (1)-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. MEFENOXAM 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 of targets include 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.*

Turf and ornamentals

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 and rights-of-way) and for home and garden use. The following are our major products:

- *BARRICADE® 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 a leading acaricide in ornamentals against mites.*

- *HERITAGE® provides broad-spectrum disease control in turf. The major outlet is golf courses.*

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

Public health

We offer a range of products for use in controlling insect pests such as mosquitoes and termites:

- *ICON® 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, 2003, 2002 and 2001 of our crop protection products by region:

(1) In the United States Mefenoxam is a generic expression whereas in other countries *MEFENOXAM* is a trademark of Syngenta Participations AG to denominate the active ingredient Metalaxyl-M (ISO name).

Syngenta Sales

	2003 (US$ million)	(%)	2002 (US$ million)	(%)	2001 (US$ million)	(%)
Europe & AME	2053	37	1919	37	1,870	34
NAFTA	1853	34	1864	35	1,887	35
Latin America	750	14	596	11	677	13
Asia Pacific	851	15	881	17	951	18
Total	**5,507**	**100**	**5,260**	**100**	**5,385**	**100**

Syngenta sells its products in over 120 countries and has a strong presence in all 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 into a form which optimizes the efficacy and safety of the product in the field*
- *packaging of the products to closely align them with local customer needs*

Our major production sites for active ingredients are located in Switzerland, the United States, United Kingdom, China and India. 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 Belgium, Brazil, China, Colombia, France, India, South Korea, Switzerland, the United Kingdom and the United States.

We manage our supply chain globally and on a product-by-product basis, from raw materials through to delivery to the customer, in order to maximize both efficiency and 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. Approximately one fifth of our supply chain materials purchasing spend is influenced by commodity price volatility, due to price dependence on gas and oil.

In connection with the merger between Novartis agribusiness and Zeneca agrochemicals business, significant cost savings were expected to be realized in global manufacturing and supply. Following a review we determined that 15 of our 48 manufacturing sites and 5 of our 13 technology centers would be closed during the period 2001 to 2004. Activities at remaining sites would be realigned in the drive for cost base optimization. These actions are expected to achieve annual fixed cost savings of around US$185 million by 2004 and reduce our fixed asset base by US$230 million (net of US$70 million to be invested). All 20 closure announcements have already been made. We are also implementing a program for reducing variable costs, including purchasing, that will also benefit cost-of-goods-sold. Cumulative annual savings from these programs by the end of 2003 were US$204 million, of which US$94 million was achieved in 2003.

In addition, the operational efficiency program announced on February 11, 2004 includes further rationalization of production, including relocation to lower cost regions and further reductions to the asset base. Specific announcements on the closure of two manufacturing sites, one in Switzerland and one in the USA and the rationalization of two further sites were made on the same date.

Marketing and Distribution

We have marketing organizations in all our major markets with dedicated sales forces that 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-selling 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 key crop opportunities in each territory.

In those 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 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. For many years, we have held numerous courses around the world for growers as a result of which tens of thousands of people 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

Syngenta has major research centers in Basel/Stein, Switzerland; Jealott s Hill, United Kingdom; and Research Triangle Park, North Carolina, United States. Syngenta s research and development is focused on effective and environmentally friendly grower solutions, including crop protection chemicals, seeds and novel traits through biotechnology. The total spent on research and

development in crop protection was US$454 million in 2003, US$425 million in 2002 and US$458 million in 2001.

We are continuously improving the research process, building on well-established platforms in chemistry, biology and biotechnology. Syngenta s investment in genomics underpins all of the product outputs, and the increasing emphasis on integrated crop solutions is leading to converging research goals and programs across chemicals, seeds and traits. 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, leach-ability) 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.

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 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 strongly committed to the responsible and ethical management of our products from invention through ultimate use. We employ environmental scientists around the world who study all aspects of a product s environmental behaviour.

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.

In 2001 the Syngenta Executive Committee and Board adopted our HSE Policy and Commitments. The Policy outlines the HSE issues that Syngenta addresses and the Commitments detail the actions we take. To ensure that the Policy is complied with, all operating units are audited on a regular basis. Teams made up of internal experts and outside consultants carry out these audits.

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 poorly performing companies.

See Note 29 to Syngenta s consolidated financial statements for a further discussion of environmental matters.

Intellectual Property

We protect our investment in research and development, manufacturing and marketing through patents, design rights and trademarks. In addition to patent protection for a specific active substance, 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 individual components thereof and enabling technology for producing transgenic plants and seeds.

Trademark protection may be obtained to cover a trademark for a specific active substance and there may be more than one trademark covering the same active substance. Other trademarks may cover formulations, mixtures, intermediates and a variety of ancillary services. The trademarks may remain in force after the expiry of a product s patents in order to provide ongoing protection. The territorial cover of trademark filings and the scope of protection obtained varies depending on the circumstances and the country concerned.

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 with the goal of ensuring 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 mainly units of dedicated agribusinesses or large chemical companies based in Western Europe and North America. 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 six such companies account for more than 75% of the worldwide market. Syngenta s key competitors include BASF, Bayer, Dow, DuPont and Monsanto. 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 that have been developed using advanced genetics and related technologies. We sell our products in all major markets.

Our seed portfolio is one of the broadest in the industry, offering over 3,000 varieties and 33 species. We have a leading market share in vegetables, flowers, corn, sugar beet and oilseeds combined 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 sugar beet, and horticultural crops, which consist of flowers and vegetables. Below are tables showing products in development and recently launched products. Products in development are those that we are planning to bring to market. Recently launched products are those that we have introduced in the past two years. These lists are not comprehensive, but provide an indication of the large number of products in our range.

Syngenta s Plant Science division, described in more detail in the next section, develops most of the transgenic products using genetic modification rather than traditional breeding trait products in-house. Other trait products are licensed-in from other biotechnology companies.

Products in Development

Crop Species	Targets
Field Crops	
Corn	High yield, stress tolerance and improved agronomic traits Improved corn borer and broad spectrum insect resistance Herbicide tolerance
Sunflowers	Yield: Stability / Oil content
Sugar beet	Disease and virus resistance
Vegetables and Flowers	
Tomatoes, lettuce, melons and peppers	Virus and fungal disease resistance
Kumato tomato	Sweet tasting tomato with a chocolate colored skin
Pansy	Adaption to broad climatic conditions with very large flower head size

Recently Launched Products

Product	Crop Use	Targets	Market
Field Crops			
NK® brand N46-J7	Bt corn hybrid	Insect resistance and herbicide tolerance	United States
NK® brand S28-L9	Soybean variety	Herbicide tolerance, cyst nematode resistance, disease resistance package	NAFTA
Colossus	Hybrid Barley	Yield, agronomic performance and stability	United Kingdom
UNIPEL	Sugar beet seed pellet	Speed of emergence and buffer effect for seed treatment	United States
NK® brand Tecny	Sunflower	High yield	France / EE
NK® brand Sanay	Sunflower	IMI-herbicide tolerance	Turkey / Spain

Recently Launched Products

Product	Crop Use	Targets	Market
Vegetables and Flowers			
S&G® COLOSSUS	Pansy flower	Larger flower size	United States
S&G® TYRES ®	Tomato	Virus, fungus and nematode resistance, and high fruit quality	Europe
Rogers® Sebring	Tomato	Fusarium race 3 resistant determinate beef tomato	United States
Dulcinea brand PureHeart® Watermelon	Personal size seedless watermelon	New watermelon concept	United States / Europe and Australia

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, such as resistance to viruses and insects and greater yield. In the future, 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

The following recently launched products illustrate our capability as a technology integrator and our commitment to the food chain:

- *2003 saw the landmark introduction of the hybrid barley Colossus, marketed in the UK as part of the Hybrid Barley System, a program with selected Crop Protection products and agronomic advice to help growers achieve the maximum potential available.*

- *The NewProduce Network is a venture in the United States with participants from throughout the produce supply chain aimed at growing and distributing an assortment of premium produce products. In 2002 NewProduce Network launched its first commercial product, the personal size PureHeart watermelon. In that year over 90,000 cartons of PureHeart melons were shipped to various retailers in several western United States. In 2003, 500,000 cases were shipped throughout the United States. Due to its success in the United States, the personal watermelon has been launched in Australia and test marketed in selected European markets. In 2003, Bella Heart , a new aromatic melon, with a mellow, sweet flavor was successfully introduced and will be added to the NewProduce Network product line-up in 2004. Additional test marketing of other items is being planned. NewProduce Network products have been developed via conventional breeding.*

Key Marketed Products

Field Crops

- *Corn. We offer NK® brand 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, known as NK® brand YIELDGARD® hybrids which have built-in insect protection. (YIELDGARD® is a registered trademark of Monsanto Company).*

- *Sugar beet. HILLESHÖG® brand sugar beet seeds are bred to develop high yielding varieties with good disease tolerance, high sugar content, low soil tare and improved juice purity.*

- *Oilseeds. We offer NK® brand 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.*

- *Cereals. NK® NewFarm Crops and Benoist offer cereals germplasm for multiplication.*

Vegetables and Flowers

- *Vegetables. Under the S&G® and ROGERS® brand names, Syngenta offers a full range of vegetable seeds, including cauliflower, sweet corn, beans, peas, tomatoes, peppers, cucumbers, watermelons, oriental radish, cabbage, squash and melons. We breed resilient varieties with high yield potential, that 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. In 2003 we launched 150 new varieties into the high value European market, including 25 new pepper varieties and 39 new fresh market tomato varieties.*

- *Flowers. Under the S&G® brand name, 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; houseplants, such as cyclamen and poinsettia; cuttings for the growing market of hanging baskets such as geranium and verbena; and a wide range of attractive perennials.*

Principal Markets

The following table sets out 2003, 2002 and 2001 sales of our seed products by region:

	Syngenta Seeds					
	2003 (US$ million)	**(%)**	**2002 (US$ million)**	**(%)**	**2001 (US$ million)**	**(%)**
Europe & AME	538	50	427	46	393	42
NAFTA	394	37	396	42	404	43
Latin America	79	7	65	7	88	9
Asia Pacific	60	6	49	5	53	6
Total	**1,071**	**100**	**937**	**100**	**938**	**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 achieve cost effectiveness and match the seeds with the growing conditions that are optimal for the variety. This also eases logistics for seed products that require 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 specialty crops. The HILLESHÖG® brand is used in sugar beets 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 also known throughout the world for flower seeds cuttings and young plants. The ROGERS® brand is well known in the Americas to growers and the food-processing industry for vegetable seeds. Our sales force markets the majority of our brands, to customers directly, in partnership with distributors, or through a network of dealers.

Seed and crop protection products have traditionally been 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. This strategy is primarily focused on corn, soybeans, vegetables,

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cereals and rice which, collectively, represent more than half of our crop protection and seed products combined sales. Where beneficial, crop protection and seed 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, that 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 US$127 million in 2003, US$119 million in 2002 and US$112 million in 2001.

We expect that end users such as livestock feeders, grain processors, food processors and other partners in the food chain will continue to 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 broaden further our germplasm base and create more valuable products. None of these alliances are 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 are payable upon commercial exploitation. The list below is a sample of the alliances in which we are currently engaged:

- *Secobra Recherche SA, a minority shareholding in a malting barley research consortium with major malting and brewing interests. The shareholders have mutual rights of first refusal for technology and new varieties.*

- *Maisadour Semences, a minority shareholding in a corn and sunflower seed company in France.*

- *In addition, we have entered into a number of research and development agreements with companies and academic institutions around the world, including agreements with:*

  Wageningen Agricultural University, for GIS technologies for Europe.

Competitive Environment

The main competitive factor in the seeds industry 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 and created greater competition in product development, marketing and pricing. 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: Advanta, Bayer, Dow (Mycogen), KWS, Limagrain, Monsanto, Pioneer/DuPont, Sakata, Seminis and Takii.

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.

In the United States, conventional seed is not subject to regulation. Genetically modified crops are regulated by the United States Department of Agriculture, the Environmental Protection Agency and the Food and Drug Administration.

In the EU, new varieties of vegetable and agricultural (field crop) species, whether transgenic or not, must be registered on an Official List before they may be commercialised. Such varieties are subjected to field tests at an official examining institute and must be distinct from other known varieties, as well as be sufficiently uniform and stable. New agricultural

plan varieties are additionally subjected to tests for agronomic or agricultural value. The agronomic value of the new variety must be better than that of the existing varieties.

With respect to genetically modified crops, the EU has adopted legislation specific to genetically modified organisms, including Directive 2001/18/EEC on the deliberate release of genetically modified organisms, and Regulation (EC) No. 258/97, which addresses food safety.

The International Seed Testing Association has established standards for seed purity, which are required to be met by all seed certified for trade between countries of the Organisation for Economic Cooperation and Development (OECD). There are different categories of seed (basic seed, certified seed, standard seed), which have their own minimum standards. In addition, there are minimum national standards.

Plant Science

From improved food, to more efficient fiber and pollution-reducing animal feed, biotechnology holds enormous promise for humanity. While they have had a significant impact on agriculture, the biotechnology products introduced to date only hint at the benefits that are possible for growers and consumers alike. With its strong research capabilities, intellectual property and leadership across multiple areas of agribusiness, we believe Syngenta is well positioned to realize the potential of this science.

The Plant Science business is built around a core of independent business teams with responsibilities for specific crops or other areas of emphasis. The mission of Plant Science is to capitalize upon the company s considerable strengths and marshal the resources needed to take Syngenta to the forefront of commercial biotechnology in the next decade.

Plant Science directs early stage research and technology expenditure as well as expenditure for development and marketing activities to create new business opportunities. This sharp focus will allow Syngenta to identify the best new ideas in biotechnology and let both strong science and good business judgment drive its investment choices.

Products in Development

To date, Plant Science generates no income through product sales. We expect future income to arise from new product development, licensing and other arrangements. To drive near term success, Plant Science has put emphasis on the commercialization of close-to-market projects that are aligned with the strengths of the Syngenta Crop Protection and Seeds businesses. For the longer term, Syngenta is exploring opportunities in emerging areas of biotechnology such as industrial applications and plant made pharmaceuticals. The latter has the potential to make the next generation of medicines more readily available to patients. Some of the Plant Science projects described here are within five years of commercial launch.

Sectors	Targets
Agronomic Traits	
Corn	Resistance to European corn borer and broad spectrum insect control Resistance to corn rootworm Herbicide (glyphosate) tolerance Other agronomic traits
Cotton	VipCot for improved resistance to insects Herbicide (glyphosate) tolerance
Cereals	Disease resistance Waxy wheat improved baking quality
Feed and Crop Processing	
Feed processing	Quantum Phytase - increased processing efficiency and pollution reduction in the animal feed market
Crop processing	High amylase corn increased efficiency of ethanol production
Whole Foods	
Banana	StayRipe banana extended ripe life to benefit growers, shippers, retailers and consumers.
Rice	Humanitarian Golden Rice working in public-private partnership to increase levels of beta carotene in rice as one potential solution to Vitamin A deficiency for the developing world
Tomatoes	Consumer preference traits

Research and Development

Syngenta maintains two advanced centers for biotechnology research, Jealott s Hill in the UK and Syngenta Biotechnology, Inc. (SBI) in the United States. These sites are dedicated to research in agricultural genomics and biotechnology. In-house work is complemented and strengthened through numerous alliances and collaborations. In February 2003, Syngenta and Diversa Corporation formed a broad collaboration to establish a shared biotechnology research platform for new plant science applications and enzyme discovery, as well as for selected antibody generation and other bio-pharma product development. Pursuant to the

collaboration, in February 2003, Diversa acquired certain technology rights from Syngenta for pharmaceutical applications and in exchange, Syngenta received an increased equity stake in Diversa. Syngenta relocated its plant genomics programs, including its pioneering work with the rice genome, from its Torrey Mesa Research Institute (TMRI) in San Diego, California to SBI in Research Triangle Park, North Carolina. As part of the transaction, the research center at TMRI was closed in 2003.

In addition to Diversa, examples of other Syngenta external alliances include:

- *Verdia (formerly Maxygen) Inc: collaboration relating to gene optimization to provide improved insect, disease and herbicide resistance of oilseeds, vegetables and cereal crops.*
- *SemBioSys: provided Syngenta with access to oilbody technology that is useful across a number of future products in biopharma.*
- *University of North Carolina at Chapel Hill: studies on disease resistance mechanisms in plants.*

The following are key capabilities in developing transgenic crops:

- *Ability to find useful genes: Syngenta is capitalizing on its pioneering work in mapping the rice genome and also accessing external sources through its collaborations with various university labs around the world and through its Diversa strategic alliance.*
- *Plant transformation: This is the process of introducing new genes into the existing genetic constitution of plants. Pioneering work in this area is done in Syngenta s research centers at SBI and Jeallot s Hill.*

- *Use of marker genes: There has been significant public and regulatory debate over the use of microbial antibiotic resistance as a marker technology. Syngenta has developed and patented an alternative sugar based system trademarked Positech that is widely used by researchers.*
- *Trait expression: This is the process of switching on and off genes or regulating them to various levels of expression in different tissues. This is achieved through specialized promoter DNA sequences. Syngenta s work with the rice genome has resulted in the discovery and patenting of a wide range of promoters.*

All biotechnology products are subject to intense regulatory scrutiny. An extensive Syngenta network of regulatory specialists around the world ensures continued dialogue and compliance with the authorities regarding regulatory dossier submissions, insect resistance management programs and participation in further development of the biotech regulatory framework.

Total research and development spending for Plant Science was US$146 million in 2003, US$153 million in 2002 and US$153 million in 2001.

Principal Markets

The market environment for products enhanced through biotechnology is complex. In the Americas, Australia and Asia, benefits such as better protection from pests and improved farming efficiency have been realized and the technology widely accepted. Although there has been progress recently in the European market, consumer opinion is mixed and the regulatory framework remains stalled.

Competition

The major investors in biotechnology are the main crop protection and seed companies: Monsanto, DuPont/Pioneer, Syngenta, Bayer and Dow. The majority of the transgenic products commercialized to date are traits that improve performance and farming efficiency in major world crops such as corn, soya, cotton and canola (input traits). As a result, access to germplasm as a platform for trait commercialization is a key competitive advantage. In the future, we expect that increased emphasis will be placed on developing products that provide benefits to food and feed processors, retail trade and consumers (output traits). One future competitive advantage is expected to be the ability to develop partnerships to allow delivery of biotechnology traits to the target market sectors. In the future, Syngenta s move into new markets may result in other companies becoming competitors. In the animal feed market, for example, major companies include Danisco Animal Nutrition, Roche and Novozymes.

Intellectual Property

Intellectual property laws protect products developed through biotechnology in the countries in which they are made and marketed. Syngenta takes advantage of the full spectrum of intellectual property laws, including utility patents, plant variety protection certificates, plant breeders rights, plant patents, trade secrets, and trademarks. The level and type of protection varies from country to country according to local laws and international agreements. Syngenta has one of the broadest patent and trademark portfolios in the industry. In addition to income from development and commercialization of transgenic products, income is generated from licensing arrangements. Syngenta respects the intellectual property rights of others and will defend its intellectual property rights as necessary.

Government Regulation

The field-testing, production, import, marketing and use of our products are subject to extensive regulation and numerous government approvals.

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

Products must obtain governmental regulatory approval prior to marketing. The regulatory framework for such products is designed to ensure the protection of the consumer, the grower and the environment. Examples of the regulatory bodies governing the science include the United States Environmental Protection Agency and the US Food and Drug Administration.

Regulatory bodies can require ongoing review of products derived from biotechnology based upon many factors including the need for insect resistance management. Even after approval, products can be reviewed with the goal of ensuring that

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they continue to adhere to all standards, which may have changed or been added to since the product was initially approved. This type of ongoing review applies in most major markets.

Government regulations, regulatory systems, and the politics which influence them vary widely among jurisdictions. Obtaining necessary regulatory approval is time consuming and costly, and there can be no guarantee of the timing or success in obtaining approvals.

Organizational Structure

Please refer to Note 32 to the consolidated financial statements for a description of the significant legal entities comprising the Syngenta group.

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 our principal properties:

Locations	Freehold/ Leasehold	Approximate area (square feet)	Principal Use
Rosental, Basel, Switzerland	Freehold	838,400	Headquarters, research (1)
Dielsdorf, Switzerland	Freehold	2,306,000	Administration, marketing (5). Manufacture ceased end 2002.
Greensboro, North Carolina, USA	Freehold	2,970,000	United States Headquarters, 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 till 2006/2007 (5)
Goa, India	Freehold	8,668,000	Production
Grangemouth, Falkirk, UK	Freehold	8,000,000	Production
Landskrona, Sweden	Freehold	6,610,800	Research, production and marketing (2)
Greens Bayou, Texas, USA	Freehold	5,898,800	Production
Enkhuizen, The Netherlands	Freehold	4,305,600	Administration, research and marketing (2)
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	Freehold	1,225,800	Production (2)
Saint-Sauveur, France	Freehold	1,279,500	Administration, research (2)
Nantong, China	Leasehold	896,264	Production
Münchwilen, Switzerland	Freehold	610,300	Production
Grimsby, UK	Freehold	181,300	(5) Plant closed end 2003
Kaisten, Switzerland	Freehold	71,000(4)	Production

(1) Used for crop protection and seed business.

(2) Used for seed business.

(3) Only 875,850 square feet are currently used and developed.

(4) Surface area of building/factory which is owned; land itself (143,000 square feet) is owned by third party.

(5) Closure of production site announced.

Please also see Item 4 Information on the Company Business Overview for a description of the products produced at the various properties listed above.

ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Foreword

The following discussion includes forward-looking statements subject to risks and uncertainty. See cautionary statement concerning forward-looking statements in the introduction to this document. This discussion also includes non-GAAP financial data in addition to GAAP results. See Appendix A to the Management Discussion and Analysis and Note 2 to the financial highlights for a reconciliation of this data and explanation of the reasons for presenting such data.

Constant Exchange Rates

We compare results from one period to another period in this report using variances calculated at constant exchange rates (CER). To present that information, current period results for entities reporting in currencies other than U.S. dollars are converted into U.S. dollars at the prior period s exchange rates, rather than the exchange rates for this year. An example of this calculation is included in Appendix A of this section. We present this CER information in order to assess how our underlying business performed before taking into account currency exchange fluctuations. We also present our actual reported results in order to provide the most directly comparable data under GAAP.

Overview

Syngenta is a world leading agribusiness operating in the Crop Protection and Seeds businesses. Crop Protection chemicals include herbicides, insecticides and fungicides to control weeds, insect pests and diseases in crops, and are essential inputs enabling growers around the world to improve agricultural productivity and food quality. Many of these products also have application in the professional products sector in areas such as public health, seed treatment and turf and ornamental markets. The Seeds business operates in two high value commercial sectors: seeds for field crops including corn, oilseeds and sugar beet; and vegetable and flower seeds. Syngenta is also developing a Plant Science business applying biotechnology to improve growers yield and food quality. Syngenta aims to be the partner of choice for Syngenta s grower customers with its unparalleled product offer and innovative marketing, creating value for customers and shareholders.

Syngenta s results are affected, both positively and negatively, by, among other factors: general economic conditions; weather conditions (which can influence the demand for certain products over the course of a season); commodity crop prices and exchange rate fluctuations. Government measures, such as subsidies or rules regulating the areas allowed to be planted with certain crops, also can have an impact on Syngenta s industry. Syngenta s results are also increasingly affected by the growing importance of biotechnology to agriculture and the use of genetically modified crops.

Syngenta operates globally to exploit its technology and marketing base. Syngenta s largest markets are Europe, Africa and the Middle East (EAME), and NAFTA, which represented 39% and 34% respectively of consolidated sales in 2003 (2002: 38% and 36%, 2001: 36% and 36%). Both sales and operating profit are seasonal and are weighted towards the first half of the calendar year, which largely reflects the northern hemisphere planting and growing cycle.

Manufacturing research and development are largely based in Switzerland, the United Kingdom and the United States of America (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. dollars. Approximately 26% of sales in 2003 were denominated in euros, while a significant proportion of costs for research and development, administration, general overhead and manufacturing are denominated in Swiss francs and British pounds sterling. Sales in Swiss francs and British pounds sterling together make up around 5% of total sales. 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, British pound sterling and the euro relative to the U.S. dollar, and the relative impact on operating profit may differ to that on sales. The effects of currency fluctuations have been reduced by risk management activities such as hedging.

The consolidated financial statements are based upon Syngenta s accounting policies and, where necessary, the results of management estimations. Syngenta believes that the critical accounting policies and estimations underpinning the financial statements are, (i) adjustments for doubtful receivables, (ii) environmental provisions, (iii) impairment and (iv) defined benefit

pensions. These policies are described in more detail later in this report.

Results of operations for the years 2001 and 2002 reflect the impact of low crop commodity prices and difficult agricultural market conditions, which persisted into 2003. In the second half of 2003 there were some signs of stabilization in the crop protection market.

Sales by region were as follows:

	Year ended December 31,		
(US$ million)	**2003**	**2002**	**2001**
Europe, Africa and Middle East	2,591	2,346	2,263
NAFTA	2,247	2,260	2,291
Latin America	829	661	765
Asia Pacific	911	930	1,004
Total	**6,578**	**6,197**	**6,323**

Crop Protection

The Crop Protection market was again difficult in 2003, particularly in the first half and sales, at constant exchange rates, showed a slight decline for the full year but with a marked upturn in the second half. Very dry weather in Europe significantly reduced fungicide sales, an area where Syngenta has high market share. A result of the dry weather however was to reduce crop yields and stocks leading to increases in some crop commodity prices. Linked to this the European Commission has reduced set-aside levels in 2004. These factors have provided some encouraging signs of stabilization in the crop protection market.

Sales benefited from the reductions in channel inventories implemented in 2002 in Latin America and sales in the region were more in line with consumption in 2003, 26% higher than 2002. This growth was offset by lower sales in Asia Pacific as channel inventories in China were reduced. Range rationalization continued and reduced Crop Protection sales by 2%, particularly impacting on Europe, Africa and the Middle East and Asia Pacific.

Insecticide and professional product sales were particularly encouraging and selective herbicides sales, the largest product line in value, were up after several years of decline.

New product sales growth increased total Crop Protection sales by 3%, more than offsetting the sales impact of phase-outs and further contributing to the ongoing improvements in margin. In particular:

- *CALLISTO® (mesotrione), a post-emergence corn herbicide with a novel mode of action, together with LUMAX , a combination product, grew strongly and helped reinforce Syngenta s leading position in the corn selective herbicides market in the United States;*
- *ACANTO (picoxystrobin), sales were held back in the year by the adverse weather conditions in Europe and were flat in a reduced cereal fungicide market;*

- *ACTARA® and CRUISER® (thiamethoxam) continued to develop and ACTARA® grew particularly strongly on cotton and soybean in the United States and Brazil and on rice in Japan. The seed treatment CRUISER® showed rapid growth in Brazil, the United States and Canada.*

Seeds

Sales in both field crops and vegetables and flowers progressed well throughout the year, with corn in Latin America and vegetables in Europe the main drivers.

Syngenta Operating Segments

Syngenta is organized on a worldwide basis into three operating segments, Crop Protection, Seeds and Plant Science. The following tables set out sales and operating income by segment for each of the periods indicated:

	Year ended December 31,		
(US$ million)	**2003**	**2002**	**2001**
Sales			
Crop Protection	5,507	5,260	5,385
Seeds	1,071	937	938
Total	**6,578**	**6,197**	**6,323**
Operating Income			
Crop Protection	588	397	473
Seeds	100	20	62
Plant Science	(142)	(173)	(167)
Unallocated (merger costs)	-	-	(3)
Total	**546**	**244**	**365**

Operating income in 2003 includes US$163 million of restructuring and impairment costs, net of divestment gains substantially related to the restructuring of the combined businesses following the formation of Syngenta in November 2000. In 2002, the equivalent cost was US$396 million and in 2001 US$277 million. Delivery of the planned synergies is now largely complete with US$197 million additional annual savings in 2003 and cumulative annual savings including 2001 and 2002 of US$559 million. Further details are provided in Notes 6 and 22 of the consolidated financial statements.

Excluding restructuring and impairment costs, operating income increased 11% to US$709 million (2002: US$640 million, 2001: US$642 million). Although sales were increased by 7% due to currency movements, the weighting of costs in Swiss francs, British pounds sterling and the euro, together with Syngenta s hedging program, meant that the weakness in the U.S. dollar in 2003 had only a minor impact on operating profit in 2003. Improved margins from range modernization and delivery of the synergy cost savings in Crop Protection, together with growth in Seeds, more than offset the lower sales volumes in Crop Protection and the higher pension costs referred to below.

Defined benefit pension costs increased from US$117 million in 2002 (including US$33 million of restructuring costs) to US$175 million in 2003 (including US$46 million of restructuring costs).

2003 Compared to 2002

Sales Commentary

Total Syngenta consolidated sales for 2003 were US$6,578 million, compared to US$6,197 million in 2002, growth of 6% in U.S. dollars and a reduction of 1% at constant exchange rates. The analysis by business is as follows:

	Full Year		Growth	
(US$ million, except growth %)	**2003**	**2002**	**Actual %**	**CER %**
Crop Protection	5,507	5,260	+ 5	- 2
Seeds	1,071	937	+14	+ 5
Total	**6,578**	**6,197**	**+ 6**	**- 1**

Crop Protection Sales

In presenting information about sales trends below, we provide information about sales at constant exchange rates so that one can better determine how products and regions have performed before converting such results in Syngenta s reporting currency. At actual exchange rates, sales generally were stronger due to the weakness of the U.S. dollar.

Commentary on Product Performance

	Full Year		Growth	
Product line	**2003 US$ million**	**2002 US$ million**	**Actual %**	**CER %**
Selective herbicides	1,717	1,606	+ 7	+ 1
Non-selective herbicides	616	650	- 5	- 10
Fungicides	1,438	1,398	+ 3	- 6
Insecticides	960	855	+12	+ 7
Professional products	642	585	+ 9	+ 4
Others	134	166	- 19	- 29
Total	**5,507**	**5,260**	**+ 5**	**- 2**

Herbicides are products that prevent or reduce weeds that compete with the crop for nutrients and water. Selective herbicides are crop-specific and capable of controlling weeds without harming the crop. Non-selective herbicides reduce or halt the growth of all

vegetation with which they come into contact.

Fungicides are products that prevent and cure fungal plant diseases that can drastically affect crop yield and quality.

Insecticides are products that control chewing pests such as caterpillars and sucking pests such as aphids, which reduce crop yields and quality.

Professional products are herbicides, insecticides and fungicides used in markets beyond commercial agriculture such as seed treatment, public health, and turf and ornamentals.

Selective Herbicides: major brands BICEP® MAGNUM, CALLISTO®/LUMAX , DUAL® MAGNUM, FUSILADE® MAX, TOPIK®
Selective herbicides were up with sales of the CALLISTO® range in corn more than doubling to US$218 million, augmented by the successful US launch of a new combination product, LUMAX , for broad-spectrum weed control. Sales of DUAL® /BICEP® MAGNUM were strong in the second half, notably in the United States and went some way towards offsetting the lower first half. In cereals, sales of the grass herbicide TOPIK® increased in NAFTA and Asia Pacific where wheat markets were buoyant.

FUSILADE® sales for soybeans in Brazil advanced and new formulations were successfully rolled out in central and eastern Europe. Range rationalization reduced sales by 1%.

Non-selective Herbicides: major brands GRAMOXONE®, TOUCHDOWN®
Sales of GRAMOXONE® were impacted by a de-stocking program in China, which more than offset growth in Brazil and Australasia. TOUCHDOWN® IQ® sales were lower due to a highly competitive US glyphosate market; two new product launches aimed at the chemfallow and premium glyphosate-tolerant segments have broadened the portfolio.

Fungicides: major brands ACANTO®, AMISTAR®, BRAVO®, RIDOMIL GOLD®, SCORE®, TILT®, UNIX®
ACANTO®, AMISTAR® and UNIX® were all negatively affected by drought conditions in western Europe, notably France and Germany, which resulted in significantly lower usage on cereals. AMISTAR® partly compensated for this with strong growth in Brazil where it was used to treat soybean rust, a significant new disease. Sales of RIDOMIL GOLD® were up slightly, with growth in the United States outweighing declines in Asia Pacific. SCORE® achieved strong growth on rice and vegetables in Asia Pacific and on a range of crops in western Europe. Range rationalization reduced sales by 2%.

Insecticides: major brands ACTARA®, FORCE®, KARATE®, PROCLAIM®, VERTIMEC®
Sales of insecticides showed robust growth despite a marked impact from range rationalization, which reduced sales by 3%. ACTARA® continued its strong growth, particularly on cotton and soybean in the United States and Brazil and on rice in Japan and achieved sales of US$127 million. Sales of FORCE® were buoyant associated with an increase in corn rootworm pressure in the United States. Growth in KARATE® was broad based. PROCLAIM® showed good growth in Japan, with expanded labels for vegetables, and in Australia, where the cotton market recovered after a drought in 2002. VERTIMEC® benefited from high pest pressure and gained market share, notably in the United States and Italy.

Professional Products: major brands CRUISER®, DIVIDEND®, HERITAGE®, ICON®, MAXIM®
Professional products grew strongly despite being reduced by 3% due to range rationalization. Seed treatments continued its strong growth particularly in North America, Brazil and Argentina. The main driver was CRUISER®, which increased sales by over 50%. MAXIM® benefited from strong demand in soybean and corn. Turf and Ornamental sales were adversely affected by phase-outs and by cool US weather. Public health sales were stable with good sales of ICON® for vector control in Asia and Africa offsetting low pest pressure in the United States. First US sales of IMPASSE , the innovative termite barrier, were made.

Commentary on Regional Performance

	Full Year		Growth	
Regional	**2003 US$ million**	**2002 US$ million**	**Actual %**	**CER %**
Europe, Africa and Middle East	2,053	1,919	+ 7	- 8
NAFTA	1,853	1,864	- 1	- 1
Latin America	750	596	+ 26	+ 26
Asia Pacific	851	881	- 3	- 10
Total	**5,507**	**5,260**	**+ 5**	**- 2**

Sales in **Europe, Africa and the Middle East** were particularly affected by range rationalization which reduced sales by 3%. In addition, extremely dry weather conditions in western Europe negatively affected demand for the first nine months of the year. In the fourth quarter sales were restricted by prudent channel inventory management in France. The strength of the euro boosted reported sales at actual exchange rates.

In **NAFTA**, sales were down slightly in the United States owing to highly competitive conditions in the non-selective herbicide market. Syngenta reinforced its leading position in US corn selective herbicides with growth in the CALLISTO® range. Other product lines also performed well, notably seed treatment and insecticides, which were driven by the success of CRUISER® and FORCE®. Sales showed good growth in Canada and Mexico.

Latin America: Sales expanded across the portfolio in Brazil and Argentina as Syngenta capitalized on buoyant conditions and its broad product offer and marketing strength, together with selling in line with consumption after reducing channel inventories in 2002. Higher commodity prices, more competitive currencies and strong exports increased grower confidence and lead to expanded corn and soybean acreage.

In **Asia Pacific**, sales were lower largely due to channel de-stocking in China, market decline in South Korea and the impact of range rationalization, which reduced sales by 4%. Japan was heavily affected by range rationalization; excluding this, sales showed growth in a declining Japanese market. In Australia sales improved following an easing of drought conditions. The strength of the Australian dollar and Japanese yen increased reported sales.

Seeds Sales

In presenting information about sales trends below, we provide information about sales at constant exchange rates so that one can better determine how products and regions have performed before converting such results in Syngenta s reporting currency. At actual exchange rates, sales generally were stronger due to the weakness of the U.S. dollar.

Commentary on Product Performance

	Full Year		Growth	
Product line	**2003 US$ million**	**2002 US$ million**	**Actual %**	**CER %**
Field Crops	570	503	+ 13	+ 4
Vegetables and Flowers	501	434	+ 16	+ 5
Total	**1,071**	**937**	**+ 14**	**+ 5**

Field Crops: major brands NK® corn, NK® oilseeds, HILLESHÖG® sugar beet
NK® corn sales performed strongly, driven by Latin America, but were lower in the fourth quarter due to delaying sales to the channel in the United States and Canada to align more closely with grower consumption. Sunflower and oilseed rape showed

strong growth in Europe; soybean sales increased, notably in NAFTA. These improvements more than offset a decrease in HILLESHÖG® sugar beet mainly attributable to declining EU acreage.

Sales of genetically modified products accounted for 17 percent of total Seeds sales.

Vegetables and Flowers: major brands S&G® vegetables, ROGERS® vegetables, S&G® flowers

Vegetables grew particularly strongly in Europe, where Syngenta has established leading positions in tomato, pepper and watermelon. In the United States, New Produce Network sales continued to expand driven by the PUREHEART watermelon; the new BELLAHEART cantaloupe melon was launched.

Sales of S&G® flowers increased, primarily in Europe, reflecting strength in the fast-growing young plant segment and improved customer relationship management.

Commentary on Regional Performance

	Full Year		Growth	
Regional	**2003 US$ million**	**2002 US$ million**	**Actual %**	**CER %**
Europe, Africa and Middle East	538	427	+26	+6
NAFTA	394	396	- 1	- 1
Latin America	79	65	+22	+22
Asia Pacific	60	49	+22	+14
Total	**1,071**	**937**	**+14**	**+5**

Sales in **Europe, Africa and the Middle East** grew strongly in oilseeds, vegetables and flowers. The main impetus came from eastern Europe, in particular sunflower and oilseed rape. Varieties of high value fresh vegetables continued their steady expansion in both Mediterranean and northern European markets. Reported sales were significantly increased by the weakness of the U.S. dollar relative to the euro.

NAFTA sales decreased slightly owing to the closer alignment of corn sales to the planting season. Soybean sales showed strong growth in the United States.

Sales in **Latin America** benefited from the recovery in Brazil (corn and soybean) and Argentina (corn and sunflower).

In **Asia Pacific**, growth in sales of corn in India and the Philippines contributed to an improved performance.

Operating Income

Operating income increased by 124% to US$546 million, reflecting the reduced restructuring and impairment costs in 2003. Excluding restructuring and impairment costs, operating income increased 11% (12% CER) to US$709 million.

Variances in the tables below reflect the profit impact of changes year on year. For example, an increase of sales or a decrease in costs is a positive variance and a fall in sales or increase in costs is a negative variance.

Crop Protection Operating Income

	Total		Restructuring and impairment		Before Restructuring and impairment			
(US$ million, except growth %)	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**% Growth Actual**	**% Growth CER**
Sales	5,507	5,260	-	-	5,507	5,260	+ 5	- 2
Cost of goods sold	(2,783)	(2,681)	-	-	(2,783)	(2,681)	- 4	+ 5
Gross profit	**2,724**	**2,579**	-	-	**2,724**	**2,579**	**+ 6**	**+ 1**
as a percentage of sales	*49%*	*49%*			*49%*	*49%*		
Marketing and distribution	(927)	(909)	-	-	(927)	(909)	- 2	+ 5
Research and development	(454)	(425)	-	-	(454)	(425)	- 7	+ 3
General and administrative	(563)	(500)	-	-	(563)	(500)	- 13	- 4
Restructuring and impairment	(192)	(348)	(192)	(348)	-	-		
Operating income	**588**	**397**	**(192)**	**(348)**	**780**	**745**	**+ 5**	**+ 7**
as a percentage of sales	*11%*	*8%*			*14%*	*14%*		

With stable sales prices, improving mix from range modernization and further delivery of synergies in the supply chain, gross profit margins were 1% higher than last year at constant exchange rates and maintained at last year s level after the effects of the weaker U.S. dollar.

The weakness of the U.S. dollar increased reported costs at actual exchange rates. At constant exchange rates, marketing and distribution costs were 5% lower than 2002, largely from completion of the merger synergies. Research and development costs were 3% lower, benefiting from the delivery of the synergy programs across the R&D sites. Lower profits on tangible asset disposals in 2003, and a final royalty receipt from Pfizer Inc. of US$20 million being included in 2002, led to a 4% increase in general and administrative expenses in 2003.

With the higher weighting of costs in Swiss francs and British pounds sterling than in sales, and despite hedging income of US$39 million (2002: US$43 million), the net effect of the weakening U.S. dollar was to reduce operating income excluding restructuring and impairment by 2%.

Restructuring and impairment is defined in Note 6 to the consolidated financial statements. In 2003 and 2002 these costs are largely associated with the continued implementation of the merger synergy programs. Restructuring and impairment is discussed in more detail later in this section.

Seeds Operating Income

	Total		Restructuring and impairment		Before Restructuring and impairment			
(US$ million, except growth %)	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**% Growth Actual**	**% Growth CER**
Sales	1,071	937	-	-	1,071	937	+ 14	+ 5
Cost of goods sold	(510)	(451)	-	-	(510)	(451)	- 13	- 6
Gross profit	**561**	**486**	**-**	**-**	**561**	**486**	**+ 15**	**+ 4**
as a percentage of sales	*52%*	*52%*			*52%*	*52%*		
Marketing and distribution	(275)	(237)	-	-	(275)	(237)	- 16	- 7
Research and development	(127)	(119)	-	-	(127)	(119)	- 7	+ 5
General and administrative	(59)	(62)	-	-	(59)	(62)	+ 5	+ 13
Restructuring and impairment	-	(48)	-	(48)	-	-		
Operating income	**100**	**20**	**-**	**(48)**	**100**	**68**	**+ 47**	**+ 24**
as a percentage of sales	*9%*	*2%*			*9%*	*7%*		

Sales were 5% higher at constant exchange rates and gross margins were maintained. The higher sales were achieved with some additional investment in marketing costs, but this was partly offset by lower general and administrative expenses following the consolidation of non-customer facing back-office activities across the different Seeds crops in NAFTA implemented last year.

Weakness in the U.S. dollar contributed an additional US$20 million to Seeds operating income in 2003 relative to 2002.

Plant Science Operating Income

	Total		Restructuring and impairment		Before Restructuring and impairment			
(US$ million, except growth %)	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**% Growth Actual**	**% Growth CER**
Sales	-	-	-	-	-	-	-	-
Cost of goods sold	-	-	-	-	-	-	-	-
Gross profit	-	-						
as a percentage of sales	-	-			-	-	-	
Marketing and distribution	(2)	-	-	-	(2)	-		-
Research and development	(146)	(153)	-	-	(146)	(153)	+ 5	+ 8
General and administrative	(23)	(20)	-	-	(23)	(20)	- 15	- 20
Restructuring and impairment	29	-	29	-	-	-		

Operating income/(loss)	**(142)**	**(173)**	**29**	**-**	**(171)**	**(173)**	**+ 1**	**+ 5**
as a percentage of sales	**-**	**-**			**-**	**-**		

Research and development spending was lower than 2002, benefiting from the focusing of research spend on core sites and closure of the Torrey Mesa Research Institute announced last year, offset by higher development spend as projects

move closer to the market. QUANTUM microbial phytase received its first registration in Mexico at the end of 2003 and is on track to achieve US registration in 2004. This will represent the first revenues for the Plant Science division formed in 2001 to spearhead Syngenta s biotechnology research. Accordingly 2003 included first marketing spend to establish capabilities prior to launch.

The restructuring and impairment net gain represents the gain of US$39 million on the sale of technology and intellectual property to Diversa Corporation (Diversa), net of a charge of US$10 million for closure of the Torrey Mesa Research Institute.

Defined Benefit Pensions

Defined benefit pension costs increased from US$117 million in 2002 (including US$33 million of restructuring costs) to US$175 million in 2003 (including US$46 million of restructuring costs). Despite a decrease in the active membership of pension plans as a result of restructuring, the costs excluding restructuring have increased due to the impact of stock market falls in 2001 and 2002 and a reduction in the long term expectations of future investment yields. During 2003, actual investment returns exceeded the long term assumed rate of return. However, real discount rates further reduced, increasing the valuation of pension liabilities. Overall, the funding ratio (the market value of pension plan assets as a percentage of the projected benefit pension obligation) improved by around 4% at the end of 2003 compared to 2002. Defined benefit pensions are described in more detail in Note 26 of the consolidated financial statements. Excluding restructuring costs, defined benefit pension expense in 2004 is expected to be broadly similar to that in 2003.

Restructuring and Impairment

The following table analyzes restructuring and impairment charges for each of the periods indicated:

	2003		**2002**	
For the year to 31 December	**US$ million**	**US$ million**	**US$ million**	**US$ million**
Merger integration costs		(21)		(28)
Restructuring costs				
Write-off or impairment				
- property, plant and equipment	(44)		(102)	
- intangible assets			(32)	
Non-cash pension restructuring charges	9		(14)	
Cash costs	(163)		(220)	
Total		(198)		(368)
Gains from product disposals		17		
Gain on sale of technology and intellectual property license		39		

Total restructuring and impairment charge	**(163)**	**(396)**

Restructuring represents the effect on reported performance of initiating business changes which are considered major and which, in the opinion of management, will have a material effect on the nature and focus of Syngenta s operations, and therefore requires separate disclosure to provide a more thorough understanding of business performance. Restructuring includes the effects of completing and integrating significant business combinations and divestments. Restructuring and impairment includes the impairment costs associated with major restructuring and also impairment losses and reversals of impairment losses resulting from major changes in the markets in which a reported segment operates.

Gains on minor product divestments associated with range rationalization have been reported within this category.

In 2003 Syngenta signed a research agreement with Diversa, under which Diversa acquired an exclusive, royalty-free, perpetual license for technology and intellectual property in the pharmaceutical field in exchange for stock and warrants in Diversa. Following completion of this transaction Syngenta closed the Torrey Mesa Research Institute, Syngenta s facility in La Jolla, California. The gain on sale and costs relating to the closure are included in restructuring and impairment charges.

Restructuring costs in 2002 and 2003 relate primarily to merger and integration activities following the formation of Syngenta in November 2000. These costs are part of the previously announced program to deliver synergy cost savings of US$625 million annually, at a cash cost of around a net US$1 billion. By the end of 2003, cumulative annual cost savings of US$559 million have been delivered at a net cash cost of around US$821 million. Additional annual savings in 2003 totaled US$197 million, with US$94 million from costs of goods, US$55 million from selling, general and administrative

expenses and US$48 million from research and development. Since the merger, the total number of employees has been reduced by some 3,600. Completion of the program is expected ahead of schedule in 2004.

The non-cash pension restructuring charges represent those direct effects of restructuring initiatives on defined benefit pension plans, for which there is no corresponding identifiable cash payment. Where identifiable cash payments to pension funds are required to provide incremental pension benefits for employees leaving service as a result of restructuring, the amounts involved have been included within cash costs.

Financial Expense, Net

Financial expense, net was 29% lower than 2002 at US$134 million (2002: US$188 million). Cash flow generation was again strong and a net US$569 million was applied to reduce debt. Lower U.S. dollar interest rates, further centralization of debt and optimized financing arrangements in Latin America also enabled a reduction in the effective interest rate.

Taxes

The tax rate on profits excluding restructuring and impairment was 36%(1) in 2003 (2002: 39%(1)) as benefits of projects to improve the tax efficiency of Syngenta s operations were realized. The estimated credit on restructuring and impairment was 42%(1) (2002: 26%(1)) partly because the net charge included disposal gains on which lower tax rates are applied, and partly due to the inclusion in 2002 of intangible asset impairments against which tax relief is not always available.

The overall effective tax rate was 34%, substantially lower than the 141% in 2002. As well as the lower rates described above, the total rate benefited from a significantly lower weighting of restructuring and impairment costs in 2003.

Net Income and Other Supplementary Income Data

Net income in 2003 was US$268 million, compared to a net loss of US$27 million in 2002, with lower restructuring and impairment costs and higher net income before restructuring and impairment.

Net income excluding restructuring and impairment was US$98 million higher than 2002 at US$363(1) million (2002: US$265[1] million). Operating income excluding restructuring and impairment was US$69(1) million higher and financial expense, net was US$54 million lower, so income before taxes and minority interests was 29% above last year and, combined with the lower effective tax rate, net income increased by 37% before inclusion of restructuring and impairment.

Restructuring and impairment costs after tax(1), including gains on the minor business disposals and on the sale of intellectual property to Diversa, were US$197 million lower than last year.

(1) This measure is defined/reconciled to GAAP measures in Appendix A of this section.

2002 Compared to 2001

Sales Commentary

Total Syngenta consolidated sales for 2002 were US$6,197 million, compared to US$6,323 million for 2001. The following table analyzes the decrease in sales of 2%, 3% at constant exchange rates (CER):

	Full Year		Growth	
(US$ million)	**2002**	**2001**	**Actual %**	**CER %**
Crop Protection	5,260	5,385	- 2	- 3
Seeds	937	938	-	-
Total	**6,197**	**6,323**	**- 2**	**- 3**

Crop Protection Sales

In presenting information about sales trends below, we provide information about sales at constant exchange rates so that one can better determine how products and regions have performed before converting such results in Syngenta s reporting currency. At actual exchange rates, the drop in reported sales generally was reduced due to the weakness of the U.S. dollar.

Commentary on Product Performance

	Full Year		Growth(1)	
Product line	**2002 US$ million**	**2001 US$ million**	**Actual %**	**CER %**
Selective herbicides	1,606	1,722	- 6	- 7
Non-selective herbicides	650	687	- 2	- 3
Fungicides	1,398	1,392	-	- 1
Insecticides	855	944	- 7	- 7
Professional products	585	522	+ 6	+ 5

Others	166	118	+ 19	+ 13
Total	**5,260**	**5,385**	**- 2**	**- 3**

Selective Herbicides: major brands BICEP® MAGNUM, CALLISTO®, DUAL® MAGNUM, FLEX®, FUSILADE®, TOPIK® Total sales declined for three main reasons: price pressure, largely in the United States, accounted for US$47 million; range rationalization of US$32 million; and volume reductions in Brazil due to de-stocking. In corn herbicides, sales of CALLISTO® reached US$103 million following a strong first full-season of marketing; this more than offset the decline in DUAL® MAGNUM / BICEP® MAGNUM due to the competitive US market. In soybeans, sales of FLEX® and FUSILADE® were also lower with increased herbicide-tolerant crop (HTC) plantings. In cereals, sales of the grass herbicide TOPIK® declined in France, and in Canada and Australia due to drought.

Non-selective Herbicides: major brands GRAMOXONE®, TOUCHDOWN®

Continued strong growth of TOUCHDOWN® IQ in the United States was offset by lower sales in Brazil. New marketing programs for GRAMOXONE® in Australia and China increased sales; in Japan and Brazil there was continued channel de-stocking. Two years after the opening of the Nantong plant, China has become the second largest market for GRAMOXONE® after the United States.

Fungicides: major brands ACANTO , AMISTAR®, BRAVO®, RIDOMIL GOLD®, SCORE®, TILT®, UNIX®

First full-season launches in Europe, including a late fourth quarter launch in France, of the new strobilurin ACANTO , resulted in sales of US$40 million. This more than offset reduced sales of AMISTAR®, the largest product in the fungicide portfolio, which were lower due to the introduction of a new competitor in France at the start of the season; there was continued encouraging growth in the United States, Japan and Brazil. Sales growth of SCORE®, in Asia and Europe, and a number of smaller products compensated for lower sales of RIDOMIL GOLD®, BRAVO® and TILT®. Underlying sales growth in fungicides was impacted by the phase-out of older products (US$28 million).

(1) Product line variances take into account minor reclassifications made in 2002.

Insecticides: major brands ACTARA®, FORCE®, KARATE®, PROCLAIM®, VERTIMEC®

ACTARA® achieved sales of US$87 million, with broad-based growth and a particularly strong performance in the United States. Sales of KARATE® benefited from strong growth in KARATE® with ZEON® technology in Germany. Reduced cotton plantings in Australia and the United States combined with channel de-stocking in Brazil resulted in lower sales for a number of products. Over half the decline in insecticides was due to phase-outs (US$35 million).

Professional Products: major brands CRUISER®, DIVIDEND®, HERITAGE®, ICON®, MAXIM®

Seed Treatment sales sustained very strong growth with sales of CRUISER® more than doubling to US$54 million, driven by strong demand in North America in cotton and canola. Growth of MAXIM® continued in the United States and Brazil. Sales of Turf and Ornamentals were lower with growth more than offset by product phase-outs (US$29 million). Public Health sales were down due to reduced tenders for ICON®.

Commentary on Regional Performance

	Full Year		Growth	
Regional	**2002 US$ million**	**2001 US$ million**	**Actual %**	**CER %**

Europe, Africa and Middle East	1,919	1,870	+ 3	-
NAFTA	1,864	1,887	- 1	- 1
Latin America	596	677	- 12	- 12
Asia Pacific	881	951	- 7	- 7
Total	**5,260**	**5,385**	**- 2**	**- 3**

Sales in **Europe, Africa and the Middle East** were unchanged. Growth came from new product introductions throughout the region and particularly strong performances in Germany and Eastern Europe; sales in France were lower due to a contracting market, increased fungicide competition and the impact of a heavy phase-out program which all adversely affected sales.

In **NAFTA**, sales continued to grow in Canada and Mexico. In the United States strong new product growth was offset by the adverse effects of channel de-stocking, lower prices from a competitive herbicide market and product phase-outs.

In **Latin America**, Syngenta continued to apply a tight credit policy in the face of economic uncertainty and exchange rate volatility in Brazil and worked to reduce channel stocks to bring sales more in line with farmer usage. This resulted in a deliberate sales volume reduction compounded by lower U.S. dollar equivalent prices from the weaker Brazilian real. Sales on secure terms in Argentina showed good recovery from 2001 levels.

Sales in **Asia Pacific** were reduced by channel de-stocking in Japan, where there has been some consolidation within the multi-layered channel, and the impact of severe drought in Australia. Product phase-outs reduced sales by US$17 million.

Seeds Sales

In presenting information about sales trends below, we provide information about sales at constant exchange rates so that one can better determine how products and regions have performed before converting such results in Syngenta s reporting currency. The overall impact of exchange rate movements on reported sales was broadly neutral.

Commentary on Product Performance

	Full Year		Growth	
Product line	**2002 US$ million**	**2001 US$ million**	**Actual %**	**CER %**
Field Crops	503	530	- 5	- 4
Vegetables and Flowers	434	408	+ 6	+ 5
Total	**937**	**938**	-	-

Field Crops: major brands NK® corn, NK® oilseeds, HILLESHÖG® sugar beet

Sales of NK® corn declined as growth in Europe was more than offset by increased penetration of herbicide-tolerant corn in the United States and significantly lower sales in real in Brazil. Oilseeds sales increased slightly with a strong performance in sunflowers in Eastern Europe and growth in Latin America more than offsetting reduced soybean sales in the

United States. With new germplasm, HILLESHÖG® sugar beet performed well in a declining European market. Sales of genetically modified product were stable and accounted for 17% of total Seeds sales.

Vegetables and Flowers: major brands S&G® vegetables, ROGERS® vegetables, S&G® flowers
S&G® vegetables sales continued to grow with particularly strong results from peppers, tomatoes and melons in Europe though partly offset by some decline in South Korea.

Sales of S&G® flowers increased in both Europe and the United States, primarily in Europe where the full commercialization of the proprietary X-tray System for young plants provided strong growth**.**

Commentary on Regional Performance

	Full Year		Growth	
Regional	**2002 US$ million**	**2001 US$ million**	**Actual %**	**CER %**
Europe, Africa and Middle East	427	393	+ 8	+ 8
NAFTA	396	404	- 2	- 2
Latin America	65	88	- 26	- 26
Asia Pacific	49	53	- 8	- 8
Total	**937**	**938**	-	-

Sales in **Europe, Africa and the Middle East** grew across all major crops, but with particularly strong achievements in vegetables, flowers, corn and sunflowers.

In **NAFTA**, declines in corn and soybean sales more than offset growth in vegetables and flowers.

The significant sales decline in **Latin America** reflects the impact of the Brazilian crisis, a reduced market affecting corn sales and the implementation of the risk reduction strategy.

Growth in **Asia Pacific** field crop sales, particularly in India, was more than offset by a decline in vegetables sales in South Korea and Japan.

Operating Income

Operating income fell by 33% to US$244 million, reflecting the increased restructuring and impairment costs in 2002. Excluding restructuring and impairment costs, operating income was flat compared to 2001 at US$640 million (5% increase CER).

Variances in the tables below reflect the profit impact of changes year on year. For example, an increase of sales or a decrease in costs is a positive variance and a fall in sales or increase in costs is a negative variance.

Crop Protection Operating Income

	Total	**Restructuring and impairment**	**Before Restructuring and impairment**

(US$ million, except growth %)	2002	2001	2002	2001	2002	2001	% Growth Actual	% Growth CER
Sales	5,260	5,385	-	-	5,260	5,385	- 2	- 3
Cost of goods sold	(2,681)	(2,740)	-	-	(2,681)	(2,740)	+ 2	+ 6
Gross profit	**2,579**	**2,645**	-	-	**2,579**	**2,645**	**- 2**	**- 2**
as a percentage of sales	*49%*	*49%*			*49%*	*49%*		
Marketing and distribution	(909)	(948)	-	-	(909)	(948)	+ 4	+ 6
Research and development	(425)	(458						