

SYNGENTA AG
Form 20-F
March 07, 2007

As filed with the Securities and Exchange Commission on March 7, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE
SECURITIES EXCHANGE ACT OF 1934
OR
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2006
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
OR
 SHELL COMPANY 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 2.30	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.

104,043,560 Common shares, nominal value CHF 2.30 each

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

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.

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Yes **No**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Item 17 **Item 18**

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes **No**

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 Care, Lawn and Garden, 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”.

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 and earnings per share, 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, or the negative of these 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 the agricultural economy;
- 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;
- the risks associated with conducting operations in certain territories that have been identified by the US government as state sponsors of terrorism;

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.

iii

TABLE OF CONTENTS

Introduction	ii
Nature of Operations	ii
Forward-Looking Statements	ii
PART I	2
Item 1 — Identity of Directors, Senior Management and Advisers	2
Item 2 — Offer Statistics and Expected Timetable	2
Item 3 — Key Information	2
Item 4 — Information on the Company	7
Item 5 — Operating and Financial Review and Prospects	32
Item 6 — Directors, Senior Management and Employees	63
Item 7 — Major Shareholders and Related Party Transactions	74
Item 8 — Financial Information	75
Item 9 — The Offer and Listing	79
Item 10 — Additional Information	81
Item 11 — Quantitative and Qualitative Disclosures About Market Risk	90
Item 12 — Description of Securities Other Than Equity Securities	93
PART II	94
Item 13 — Defaults, Dividend Arrearages and Delinquencies	94
Item 14 — Material Modifications to the Rights of Security Holders and Use of Proceeds	94
Item 15 — Controls and Procedures	94
Item 16 — [Reserved]	94
Item 16A — Audit Committee Financial Expert	94
Item 16B — Code of Ethics	94
Item 16C — Principal Accountant Fees and Services	95
Item 16D — Exemptions from the Listing Standards for Audit Committees	95
Item 16E — Purchases of Equity Securities by the Issuer and Affiliated Purchasers	96
PART III	97
Item 17 — Financial Statements	97
Item 18 — Financial Statements	97
Item 19 — Exhibits	98

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

Financial Highlights

Syngenta has prepared the consolidated financial statements in US 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 (US 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 US GAAP, see Note 34 to the consolidated financial statements.

The selected financial information set out overleaf has been extracted from the consolidated financial statements of Syngenta. Investors should read the whole document and not rely on the summarized information. The information includes the results of operations and the net assets of Golden Harvest from July 31, 2004, Garst from September 1, 2004, Emergent Genetics Vegetable A/S (EGV) from June 1, 2006 and Conrad Fafard, Inc. from August 1, 2006. For further information about these and other acquisitions, see Note 3 to the consolidated financial statements.

SELECTED FINANCIAL DATA

(US\$ million except where stated)	Year ended December 31,				
	2006	2005 (reclassified)	2004 (reclassified)	2003 (reclassified)	2002 (reclassified)
Amounts in accordance with IFRS⁽¹⁾					
Income statement data					
Sales	8,046	8,104	7,269	6,525	6,163
Cost of goods sold	(3,982)	(3,950)	(3,532)	(3,248)	(3,088)
Gross profit	4,064	4,154	3,737	3,277	3,075
Operating expenses	(3,235)	(3,294)	(3,196)	(2,759)	(2,918)
Operating income	829	860	541	518	157
Income/(loss) before taxes	798	766	466	379	(68)
Income/(loss) from continuing operations	637	626	536	246	(112)
Net income/(loss) attributable to Syngenta AG shareholders	634	622	460	248	(109)
Number of shares - basic	98,165,298	100,017,271	105,208,929	101,682,672	101,541,119
- diluted	99,876,180	101,464,222	106,015,369	101,799,899	101,586,435
Basic earnings/(loss) per share					
From continuing operations	6.46	6.22	5.16	2.39	(1.14)
From discontinued operations	-	-	(0.79)	0.05	0.07
Total	6.46	6.22	4.37	2.44	(1.07)
Diluted earnings/(loss) per share					
From continuing operations	6.35	6.13	5.12	2.38	(1.14)
From discontinued operations	-	-	(0.78)	0.05	0.07
Total	6.35	6.13	4.34	2.43	(1.07)
Cash dividends declared	-	-	-	-	-
CHF per share	-	-	-	0.85	0.80
- US\$ per share equivalent	-	-	-	0.64	0.48
Par value reduction	-	-	-	-	-
CHF per share	3.30	2.70	1.70	-	-
- US\$ per share equivalent	2.68	2.10	1.35	-	-
Cash flow data from continuing operations					
Cash flow from operating activities	928	497	1,309	791	769
Cash flow used for investing activities	(411)	(144)	(686)	(232)	(254)
Cash flow used for financing activities	(541)	(74)	(679)	(630)	(602)
Capital expenditure on tangible fixed assets	(217)	(174)	(166)	(211)	(157)
Balance sheet data	2,578	1,747	2,185	1,816	1,139

Current assets less current liabilities					
Total assets	11,852	11,404	11,786	10,740	10,243
Total non-current liabilities	(3,190)	(2,508)	(2,884)	(2,705)	(2,655)
Total liabilities	(6,158)	(5,973)	(6,108)	(5,617)	(5,813)
Share capital	142	353	525	667	667
Total shareholders' equity	5,666	5,403	5,658	5,056	4,350
Other supplementary income data					
Diluted earnings/(loss) per share from continuing operations, excluding restructuring and impairment ⁽²⁾	8.73	7.67	7.19	3.34	2.17
Amounts in accordance with US GAAP					
Sales (unaudited)	8,044	8,104	7,269	6,525	6,163
Net income/(loss) from continuing operations	507	560	429	247	(201)
Net income/(loss) attributable to Syngenta AG shareholders	504	556	352	250	(198)
Total assets (unaudited)	11,427	11,527	12,070	11,183	10,737
Total non-current liabilities (unaudited)	(3,266)	(2,640)	(3,184)	(2,926)	(2,960)
Total equity	5,046	5,417	5,648	5,202	4,536
Basic earnings/(loss) per share ⁽³⁾					
From continuing operations	5.13	5.56	4.14	2.42	(2.01)
From discontinued operations	-	-	(0.79)	0.04	0.06
Diluted earnings/(loss) per share ⁽³⁾					
From continuing operations	5.07	5.49	4.10	2.41	(2.01)
From discontinued operations	-	-	(0.78)	0.04	0.06

(1) Syngenta has prepared the consolidated financial statements in US 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 (US 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 US GAAP, see Note 34 to the consolidated financial statements.

Balance sheet data for 2005, 2004, 2003 and 2002 has been reclassified to reflect the netting of deferred tax assets and deferred tax liabilities, which have been netted against each other within the same taxable entity. Previously, they were netted only where they related to the same balance sheet item. This adjustment has reduced the amounts of deferred tax assets and deferred tax liabilities disclosed in the consolidated balance sheet, and total assets and total liabilities, by US\$204 million, US\$222 million, US\$228 million, and US\$283 million as at December 31, 2005, 2004, 2003 and 2002 respectively.

(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 limited 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 2006, 2005 and 2004 are analyzed in Note 7 to the consolidated financial statements. Restructuring and impairment for 2003 and 2002 represents the costs of integrating the separate Novartis agribusiness and Zeneca agrochemicals business legacy organizations and the closure of certain manufacturing and research and development sites and refocusing of other continuing sites. 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 at the end of Item 5.

(3) The number of shares used to calculate US GAAP basic earnings per share is the same as that used under IFRS. The number of shares used to calculate US GAAP diluted earnings per share is adjusted from that used under IFRS due to accounting for hypothetical share issuance proceeds, namely the excess tax benefit, and in 2006, also due to the different accounting treatment of the shareholder put option grant, which made that option antidilutive for US GAAP. This adjustment is explained in Note 34 of the consolidated financial statements.

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 the Agricultural Economy

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 can be partly offset by the withdrawal of some products because they are not re-registered or are subject to voluntary range reduction programmes to reduce the range of products offered. 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.

Declines in commodity crop prices can indirectly affect Syngenta's results. They can result not only in reduced sales, but also in competitive price pressure in certain of our markets. These fluctuations may negatively impact Syngenta's business 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 Syngenta 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. In addition, changing regulatory standards may affect Syngenta's ability to maintain its products on the market.

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 each of these areas there are various pressures to reduce subsidies. However, it is difficult to predict accurately whether and when such changes will occur. We expect that the policies of governments and international organizations will continue to affect the income available to growers to purchase crop protection and seeds products and accordingly the operating results of the agribusiness industry.

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 continue to be 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's 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 authorities 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 78% of sales in 2006, whereas seeds accounted for 22% of sales. The area of Syngenta's crop protection business which is most affected by genetically modified seeds is that of selective herbicides for use on oilseed crops, corn and cotton.

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 US dollars; however a substantial portion of our sales and product costs are denominated in currencies other than the US dollar. Fluctuations in the values of these currencies, especially in the US 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's ability to obtain sufficient amounts of those materials may be adversely affected by the unforeseen loss of a supplier.

Syngenta Conducts Business in Most Countries of the World, Including in Certain Territories that Have Been Identified by the US Government as State Sponsors of Terrorism

Syngenta conducts business in most countries of the world, and thus it has minor operations in high risk territories, including Cuba, Iran, Syria and the Sudan, some of which have been identified by the US government as state sponsors of terrorism. Syngenta's operations in these countries are quantitatively immaterial, and it is Syngenta's belief that supporting agriculture in these countries is beneficial to their wider population, for whom food is often in short supply. However, certain investors may choose not to hold investments in companies that have operations of any size in these countries and several US states have enacted, and others may in the future enact, legislation requiring public entities with investments in companies with operations in these countries to disclose this fact or in some cases to divest these investments. Any such divestment is not currently expected to have a material impact on the value of Syngenta shares.

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

The trading price of Syngenta shares and ADSs 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 ADSs It May Be More Difficult for You to Exercise Your Rights

The rights of holders of Syngenta ADSs are governed by the deposit agreement between Syngenta and The Bank of New York. These rights are different to those of holders of Syngenta shares in several respects, including the receipt of information, the receipt of dividends or other distributions, the exercise of voting rights and attendance at 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 on November 12, 1999 under the laws of Switzerland and became a publicly listed company on November 13, 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, New York 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 agribusiness and the Zeneca agrochemicals business to create a dedicated agribusiness company whose shares were then the subject of a global offering.

As at December 31, 2006, 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 creation of Syngenta, 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 merger. 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 merger. 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 1930's.

Investments and Divestments

Investments

On June 1, 2006, Syngenta purchased 100% of the shares of Emergent Genetics Vegetable A/S ("EGV"). On August 1, 2006, Conrad Fafard Inc., ("Fafard") merged with a Syngenta subsidiary so that Syngenta acquired control of Fafard and its subsidiaries in exchange for cash paid to or for the account of Fafard's former shareholders and settlement of certain liabilities of Fafard. On November 16, 2006, Syngenta acquired the remaining 50% of the shares of Longreach Plant Breeders Pty Ltd (LRPB) that it did not already own. The cost of these acquisitions, net of cash acquired, amounted to US\$146 million.

In March 2006, Syngenta acquired from DuPont an exclusive worldwide licence to develop DuPont's new insecticide Rynaxypyr™ in mixtures with its own insect control products. At the same time, Syngenta sold to DuPont worldwide rights to Syngenta's strobilurin fungicide pycoxystrobin, sold as ACANTO®.

On October 14, 2005, Syngenta acquired an additional membership interest in Dulcinea Farms, LLC, increasing its interest from 51% to 100%. On September 16, 2005, Syngenta purchased the Dutch bee breeding business of Bunting Brinkman Bees B.V. It previously held a 49% shareholding in that entity. In February 2005, Syngenta purchased additional shares in Syngenta Nantong Crop Protection Ltd., increasing its shareholding from 98% to 100%. The aggregate purchase price of these acquisitions was US\$10 million, paid in cash.

In 2004, Syngenta made a number of investments to strengthen its Seeds Field Crops business in the North American corn and soybean markets. These investments included corn germplasm, breeding materials and inbreds from the US based company CHS Research LLC, acquisition of a 90% stake in the Golden Harvest® "family" of companies for US\$154 million net of cash in the acquired companies, the acquisition of 90% of the North American corn, soybean and wheat business of Advanta BV for US\$327 million net of cash in the acquired companies, and purchase of glyphosate tolerance technology for corn (GA21) from Bayer CropScience. Syngenta also purchased the remaining 67% of the outstanding shares of Dia-Engei, a Japanese flower seed company.

Divestments

On February 2, 2007, Syngenta signed an agreement to dispose of the part of the Rosental site in Basel that is seen as in excess of Syngenta's medium term needs. Proceeds from this transaction are expected to be approximately US\$139 million (subject to completion).

On September 30, 2004, Syngenta sold its 75% interest in its sulphur and chlorine-based chemical intermediates business, SF-Chem AG, to a private equity buyer for US\$46 million. This business was previously shown as part of the Crop Protection segment, and is now presented as a discontinued operation in the consolidated income statement and segmental results. This transaction is further described in Note 3 to the consolidated financial statements.

There were no major business or product divestments in 2005 or 2006 other than the ACANTO® transaction noted above.

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 main objectives underlying this strategy:

Outperform markets

Syngenta continues to build leadership positions in the markets in which it operates, capitalizing on its broad range of strong, profitable products and global marketing reach.

A key element of Syngenta's strategy is to ensure its employees have a full understanding of the diverse needs and expectations of its customers, which vary by region and crop. Growers need products that will help them meet increasing demands for more affordable, healthier and higher quality foods and feeds. Syngenta responds with value-adding solutions tailored to local customer needs. Syngenta aims to gain market share through continuous innovation accompanied by outstanding customer support.

Grow new products

A key component of Syngenta's success in driving share gain is an ability to innovate and grow new products.

Syngenta aims 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. Techniques such as toxicogenomics and environmental profiling are minimizing the attrition rate in the development process.

Syngenta focuses on improved ways to direct its research towards areas of health and environmental safety. An example of the success delivered by the process is CALLISTO[®], which showed a favorable environmental profile and became the leading selective herbicide for corn in the United States within three years.

Life cycle management

Syngenta aims to harness the full potential of its established products and technologies, including the extension of their life cycles through research and development activities.

Syngenta believes that it possesses one of the broadest ranges of chemical crop protection products and technologies in the industry. Syngenta plans to refresh and improve this range through the use of individual compounds and innovative mixtures. The company employs some of the best scientists in chemistry, physiology, bioperformance enhancement and formulation to achieve this objective. Attractive opportunities exist for combinations of products to provide tailored crop solutions for the specific requirements of growers. Syngenta believes that the integration of chemical and gene-based solutions offers a particularly attractive opportunity for the future.

Invest in Seeds

Syngenta continues to build strong germplasm in target seeds segments which will both improve its seed offer from traditional breeding and provide a delivery vehicle for new technologies.

Advances in biotechnology have revolutionized processes and delivered crop improvements. For example, marker-assisted breeding is a powerful tool for trait selection for new varieties and also for significantly accelerating the breeding process. Integration of genomics tools, biochemical analysis and consumer mapping will be a crucial step in meeting the ever increasing demands for quality and nutrition, especially in our vegetable crops.

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 pursue the opportunities it believes biotechnology can deliver.

Syngenta's assembly of an industry-leading elite corn germplasm base, resulting from its ongoing research efforts and targeted acquisitions, has enabled the launch of a foundation seed business which is fuelling growth in Syngenta's share of the corn germplasm and trait markets.

Create new businesses

Innovations based upon biochemical processes can enjoy broad utility outside the scope of a conventional agribusiness. Syngenta is active in furthering new businesses and business models to adapt to fast changing market dynamics. This includes the on-going expansion of professional products, encompassing a strong Seed Care business as well as an expanding presence in the Lawn & Garden and Home Care markets.

Investment in technology and development capabilities is a critical enabler of Syngenta's future growth. Syngenta believes that investments in these areas will continue to add value to the crop protection and seeds businesses in the form of new products and will also lead to new business opportunities.

Drive performance

In 2004 Syngenta announced an Operational Efficiency cost saving program. The program covers the relocation of production to lower cost regions, a further reduction of the asset base, an increase in the globalization of purchasing,

further consolidation of research and development sites and the outsourcing of some administrative processes. The total cash cost of the program was forecast to be around US\$500 million over the five years beginning in 2004 and non-cash charges, principally writing-down the value of fixed assets at that time, to be around US\$350 million over the same period. Cash spent under the program up to the end of 2006 totals US\$227 million. Cost savings under the program have been partly offset by the impact of higher oil prices, which is estimated to be in excess of US\$200 million since the beginning of 2004. This program is expected to be completed one year ahead of schedule in 2007, with cash costs in line with the initial estimate of US\$500 million and non cash charges of US\$320 million.

A further operational efficiency restructuring program was approved by the Syngenta Board on February 7, 2007, to drive cost savings which will be partly used to offset increased expenditure in research and technology, marketing and product development in the growth areas of Seeds and Professional Products. Savings are targeted in both cost of goods sold and other operating expenses. The cost of the new program is estimated at US\$700 million in cash and US\$250 million in non-cash charges in the period up to 2011.

Business Overview

Industry 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, cereals and sugar beet; and vegetable and flower seeds. Through its Plant Science research, Syngenta is applying biotechnology to areas including improving growers' yield and food quality. Syngenta aims to be the partner of choice for grower customers with its unparalleled product offer and innovative marketing, creating value for customers and shareholders.

Syngenta's Business

Syngenta's business is divided into three segments: crop protection, seeds and plant science. These segments are described in greater detail below.

Crop Protection

Products

Syngenta is active in herbicides, especially for corn, cereals, soybean and rice; fungicides mainly for cereals, fruits, grapes, rice, soybean and vegetables; insecticides for fruits, vegetables and field crops; 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 agriculture, together with seed treatments where insecticides and fungicides protect growth during the early stages. Since the addition of Fafard, Professional Products now includes a broad range of premium growing media mixes for professional flower growers.

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, soybean, fruits and vegetables, and applies its technologies to other crops, such as oilseeds, sugar beets, rice and cotton, and to turf and ornamentals.

The following table sets out 2006, 2005 and 2004 crop protection sales:

Products	Syngenta Sales					
	2006 (US\$ million)	(%)	2005 (US\$ million)	(%)	2004 (US\$ million)	(%)
Selective herbicides	1,813	29	1,889	30	1,867	31
Non-selective herbicides	725	11	688	11	645	11
Fungicides	1,716	27	1,779	28	1,702	28
Insecticides	1,093	17	1,100	17	1,049	17

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Professional products	958	15	807	13	720	12
Others	73	1	67	1	59	1
Total	6,378	100	6,330	100	6,042	100

10

The tables below show Syngenta's principal products: (1) currently in late stage 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.

Products in Late Stage Development

Active Substance	Crop Use	Status
Herbicide		
449	Corn and sugar cane	In development
Fungicide		
mandipropamid (REVUS™ - 446)	Fruits and vegetables	Launch Phase (2007)
520	Cereals	In development
524	Seed treatment	In development
Insecticide		
Rynaxypyr™ mixtures	Multicrop	In development

Recently Launched Products (last 5 years)

Active Substance	Selected Brand Names⁽¹⁾	Crop Use	Targets
Selective Herbicides			
Pyrifthalid	APIRO®	Rice	Annual grasses in transplanted rice
Mesotrione ⁽²⁾	CALLISTO®/LUMAX®/ LEXAR®/CAMIX®	Corn	Broad-leaved weeds / full spectrum
Trifloxysulfuron	ENVOKE®, KRISMAT®, MONUMENT®	Cotton, sugarcane, turf	Post-emergence selective herbicide against broad-leaved weeds, sedges and grasses
Pinoxaden	AXIAL®	Cereals	Premium wheat and barley post-emergent grass herbicide
Insecticides			
Thiamethoxam	ACTARA®/CRUISER®	Broad range of crops including seed treatment	Foliar sucking pests and soil dwelling insects

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- (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 [®]	Oilseed rape	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 broadleaved 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

Key Marketed Products

Active Substance	Selected Brand Names⁽¹⁾	Crop Use	Targets
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 [®] /AMISTAR OPTI [®] /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, soybean	Powdery mildew, rust, leaf spots
Cyprodinil	UNIX [®] /STEREO ^{®(6)} /SWITCH [®] CHORUS [®]	Pome fruits, stone fruits, cereals, grapes, vegetables	Scab, powdery mildew, eyespot, rynchosporium, Botrytis
Difenoconazole	SCORE [®] /DIVIDEND [®]	Vegetables, rice, 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 [®] /GEOXE [®] /MEDALLION [®]	Seed treatment, grapes, turf, vegetables	Bunt, snow mold seedling blights, scurf, Botrytis, dollar spot
MEFENOXAM ⁽⁹⁾	RIDOMIL GOLD [®] /FOLIO GOLD [™] /APROXIL [®] /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

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Trinexapac-ethyl	MODDUS®/PRIMO®	Sugarcane, cereals, turf	Increases sugar content, antilodging, reduces grass growth
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Insecticides

Abamectin	VERTIMEC®/AGRIMEC®/ AGRIMEK®	Citrus fruits, vegetables, pome fruits, ornamentals	Mites, leafminers and some caterpillars
Emamectin Benzoate	PROCLAIM®/AFFIRM®	Vegetables, cotton	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
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
Thiamethoxam	ACTARA®/CRUISER®	Broad range of crops including seed treatment	Foliar sucking pests and soil dwelling insects

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- (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 granted 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 commitments given to the European Commission upon the formation of Syngenta, Syngenta granted an exclusive license to manufacture, use and sell cyproconazole directly in the EEA to Bayer, under Bayer's own trade name. Since 2005, Syngenta has been allowed to recommence sales of cyproconazole directly, under the ALTO® (or other) name.
- (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 that 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.
- (9) 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).

Selective Herbicides

Syngenta has 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

·449, A new broad-spectrum selective herbicide for use in corn and sugar cane which complements our existing product range

Recently Launched Products

·APIRO® was successfully launched in South Korea (2002) and Japan (2003). This family of products contains pyrifthalid 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 (2001-2002). 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-emergent herbicide with a very broad spectrum against key broad-leaved weeds in corn.

·LUMAX®, LEXAR® and CAMIX® are combination products from the Callisto family containing mesotrione, S-metolachlor and atrazine (LUMAX® LEXAR®) or mesotrione and S-metolachlor (CAMIX®). They are pre-emergence products for use in corn and provide broad spectrum weed control. LUMAX® and CAMIX® received registrations in the United States and were successfully launched in the 2003 season and LEXAR® received registration in the United States in 2004 with full launch in the 2005 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 and launched in the 2004 season.

·AXIAL® was successfully launched in a number of countries (2006). It is an innovative post-emergent selective grassweed herbicide, for use in both wheat and barley. Employing our new active ingredient pinoxaden, it offers the grower efficacy, selectivity and flexibility.

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 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. 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 profile. Rights to sell the active substance dicamba in the United States and Canada were sold to BASF in 1996 pursuant to an FTC decision. Syngenta continued to sell products containing the active substance dicamba and established products outside the United States and Canada. As of 2007 Syngenta will also resume the distribution of dicamba in NAFTA, in the form of both straight products as well as mixtures combining dicamba with other active substances.

· 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 granted, albeit with a limited

use label, in 2006. In 2005, Syngenta registered a new formulation, GRAMOXONE® INTEON™, where the new herbicide also contains new features to further improve user safety and handling.

· 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 is mainly used as a desiccant to allow easier harvesting and reduce drying costs.

Fungicides

Product In Development

· REVUSTM, (446) is a new fungicide for fruit and vegetables to combat late blight and downy mildew, which complements our existing product range. REVUSTM is already registered in Australia and South Korea. Further registrations in other markets are expected in time for the 2007 season.

· 520, a new broad-spectrum cereal fungicide which complements the existing range and provides additional resistance management opportunities.

Key Marketed Products

· AMISTAR®, a strobilurin fungicide introduced in 1997 and launched widely 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™. In the USA, it is successfully being used to control Asian rust in soybeans in a mixture with TILT®, branded as QUILT®.

· 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. AMISTAR OPTI® was successfully launched in the UK in the 2004 season to combat Septoria resistance. Registration for BRAVO® was received in Germany in 2004.

· 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,

⁽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).

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 specific 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, soybean, sugar beet and coffee. Pursuant to the commitments given to the European Commission upon the formation of Syngenta, Syngenta granted an exclusive license to manufacture, use and sell cyproconazole directly in the European Economic Area to Bayer, under Bayer's own trade name. Since 2005, Syngenta has been permitted to re-commence sales of cyproconazole directly, under the ALTO® (or other) brand name.

·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.

Insecticides

Product in Development

·Syngenta is actively involved in development projects in bisamide chemistry. Following completion of the acquisition from DuPont of exclusive rights to RYNAXYPYR™ in mixtures with Syngenta insect control products, announced on February 23, 2006, these projects were integrated with the RYNAXYPYR™ program. Initial launches of RYNAXYPYR™ mixtures are targeted for 2008.

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.

Key Marketed Products

·KARATE®, the world's leading agricultural pyrethroid brand, is one of our largest selling insecticides. A novel product branded KARATE® with ZEON® technology was launched in the United States in 1998 offering performance benefits and enhanced user and environmental safety.

·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, Australia and India and is under registration in many other countries.

VERTIMEC® or AGRIMEC®/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.

· *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 Care, Lawn & Garden and Home Care.

Product In Development

· *524, a new fungicide seed treatment which complements our existing product range*

Recently Launched Products

· *AVICTA®, a new seed treatment for the control of nematodes in cotton, was launched in the USA in January 2006.*

Key Marketed Products

Seed Care

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, Phytophthora 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 includes seed and soil-borne diseases like damping off, bunt, smut and leaf stripe on cereals. Used alone or in mixtures with other active substances, it is also effective on corn, rice, cotton, potatoes and peas.*

· *CRUISER® is a seed treatment brand for 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, thrips, jassids, wireworms, flea beetles and leafminers.*

Lawn and Garden

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.*

⁽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).

- *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®.*
- *FAFARD® is a premium brand in the USA growing media market specializing in custom mixes for producers of ornamental plants.*

Home Care

We offer a range of products for use in controlling mold and insect pests.

- *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.*
- *ACTELLIC® a versatile vector management product, and strong resistance management tool, approved for use as a lavacide, a residual surface spray and space spray.*
- *OPTIGARD® is a new range of products for professional pest managers for the control of general insect pests such as cockroaches and ants. The range includes highly effective bait products that will be launched in selected countries from 2007 onwards.*
- *DEMAND® is the flagship capsule suspension formulation (Demand CS with iCap Technology) for long residual control of a wide range of general insect pests which has recently been expanded to include a new granular formulation - Demand G with Active Release Technology. Demand G is approved to control 28 pests as a perimeter treatment or in lawn or landscape situations.*
- *IMPASSE® is a recognised US termite range. DEMON® is an optimised formulation containing cypermethrin that provides a lasting soil treatment to prevent termites attacking homes and other structures.*

Principal Markets

The following table sets out sales for the years ended December 31, 2006, 2005 and 2004 of our crop protection products by region:

Products	Syngenta Sales					
	2006 (US\$ million)	(%)	2005 (US\$ million)	(%)	2004 (US\$ million)	(%)
Europe, Africa & Middle East	2,242	35	2,283	36	2,256	37
NAFTA	2,119	34	2,081	33	1,873	31
Latin America	1,036	16	1,027	16	1,020	17
Asia Pacific	981	15	939	15	893	15
Total	6,378	100	6,330	100	6,042	100

Syngenta sells its products in over 120 countries and has a strong presence in all regions.

18

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

Syngenta's 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. Syngenta operates major formulation and packing plants in Belgium, Brazil, China, France, India, South Korea, Switzerland, the United Kingdom and the United States.

Syngenta manages its supply chain globally and on a product-by-product basis, from raw materials through to delivery to the customer, in order to maximize both cost and capital efficiency and responsiveness. We outsource the manufacture of a wide range of raw materials, from commodities through fine chemicals to dedicated intermediates and active ingredients. Sourcing decisions are based on a combination of logistical, geographical and commercial factors. Syngenta has a strategy of maintaining, when available, multiple sources of supply. Most of our supply chain materials purchasing spend is directly or indirectly influenced by commodity price volatility, due to price dependence on gas and oil. Our total raw material spend is approximately 30% of sales.

Significant cost savings have been realized in global manufacturing and supply following the merger of the Novartis agribusiness and the Zeneca agrochemicals business due to optimizing production capacity and closing redundant facilities. From 48 sites at the time of the merger in 2001, Syngenta now operates on 30 sites and as a result of closures, announced in 2004/2005, will operate 27 sites in 2008.

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 crop protection research centers in Basel/Stein, Switzerland; Jealott's Hill, United Kingdom; and Goa, India. The total spent on research and development in crop protection was US\$490 million in 2006, US\$509 million in 2005 and US\$499 million in 2004.

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.

We have developed a rigorous screening and development process in order to mitigate risks relating to the use of our products. 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.

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 30 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 coverage of patent filings and the scope of protection obtained vary 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 vary 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, including through litigation if necessary.

Competitive Environment

The leading companies in the crop protection industry are mainly 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 100 product lines and 5000 varieties of our own proprietary genetics. We have a leading market share in vegetables, flowers, corn, cereals, sugar beet and oilseeds combined based on sales. Seed products are derived from a germplasm pool and trait portfolio and developed further utilizing sophisticated plant-breeding methods. We divide our products into field crops such as corn, oilseeds and sugar beet, and horticultural crops, which consist of flowers and vegetables. In 2006, we launched over 500 varieties. Syngenta undertook several initiatives to integrate and capitalize on investments made in 2004 to strengthen its Seeds Field Crops business in the North American corn and soybean markets. These investments included corn germplasm, breeding materials and inbreds from the US based company CHS Research LLC, acquisition of a 90% stake in the Golden Harvest®“family” of companies, acquisition of 90% of the North American corn and soybean business of Advanta BV, which trades as Garst®, and purchase of glyphosate tolerance technology for corn (GA21) from Bayer CropScience. In addition to increasing Syngenta’s range of high-quality germplasm, these transactions enabled Syngenta to offer a complete range of biotechnology input traits in both corn and soya. In the vegetables segment, Syngenta acquired Emergent Genetics Vegetable A/S (Brands: Daehnfeldt™, Ohlsens Enke™ and Hurst™) in June 2006. This acquisition further strengthens the germplasm pool in particular on cucumber and spinach and supports our leadership role in vegetable seeds. Below are tables showing examples of 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.

Products in Development

Crop Species

Targets

Field Crops

Corn

High yield, stress tolerance and improved agronomic characteristics

Combined glyphosate tolerance, European corn borer, corn rootworm and broad lepidopteron control

High ethanol yield

Late maturity hybrids for heat stress areas. Early maturity hybrids with good feed value and adapted to biogas production

Soybean

High yield, herbicide tolerance, cyst nematode resistance, root rot, aphid resistance and disease resistance

High oil and high protein

Sunflowers

High yield, drought tolerance, unsaturated fatty acids (high oleic)

Broomrape resistance, disease resistance, herbicide tolerance

Winter Oilseed Rape

Wheat	High yield hybrids with improved disease resistance, high oleic content Fusarium tolerance High yield, improved and novel quality “White” Wholemeal flour New disease resistance and drought tolerance
Barley	High brewing yield Next generation malting barley with improved enzyme characteristics
Sugar beet	Broad spectrum disease and virus resistance, new products for ethanol
Rice	High nutrition rice
Vegetables and Flowers	
Tomatoes, lettuce, melons and peppers	Virus and fungal disease resistance
Dulcinea® Sunnygold® Golden Honeydew	Fruit quality
Callibrachoa, Petunia and Verbena	Fungal disease resistance
Viola and Pansies	Short day, winter performance

Recently Launched Products

Product	Crop Use	Targets	Market
Field Crops			
NK [®] brand NX2855	Corn Hybrid	High yielding 91 day corn for the northern corn belt which carries resistance to the corn borer insect and Liberty herbicide.	United States
Garst [®] brand EX 68329CB/LL	Corn Hybrid	High yielding 107 day corn for the central corn belt with excellent stalk strength and which carries resistance to the corn borer insect and Liberty herbicide.	United States
Golden Harvest [®] brand NG469CB/LL	Corn Hybrid	High yielding 112 day corn for the south-central corn belt with the excellent stalk strength and which carries resistance to the corn borer and Liberty herbicide.	United States
NK [®] Ravello, NK [®] Magitop, NK [®] Bull	Corn Hybrid	Silage in North of Europe, biogas production	Europe
NK [®] Arma, NK [®] Factor, NK [®] Atria	Corn Hybrid	South Europe, grain and silage	Europe
NK [®] brand S21-N6	Soybean variety	Product with phenomenal top end yield performance coupled with good stress tolerance and standability to maintain top yield in stress conditions. Product also has race 1k Phytophthora Resistance.	United States
NK [®] brand S27-L4	Soybean variety	High yielding product. Good disease protection package to maintain top yield.	United States
Bronx	Hybrid Barley	High yield Six-row, impressive disease resistance with good straw length, early maturity	United Kingdom
Inedit, Preference	Winter Wheat		France

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		High bread making quality and disease resistance	
Emerald	Winter Wheat	High bread making quality, strong disease resistance - top yielding second wheat	France
Fannin	Winter Wheat	Good end-use quality with excellent leaf health and yield potential, resistant to Soil Borne Mosaic Virus	Southern Plains, United States
Tam 111	Winter Wheat	Excellent yield potential with good drought tolerance, stripe rust resistant	Southern Plains, United States
Neosho	Winter Wheat	Excellent yield with excellent mill and bake qualities, excellent straw strength	Southern and Central Plains, United States
Palladin	Winter Wheat	Quality end-use Hard Red Winter	Pacific North West, United States
OPTA	Sugar beet	High sugar content variety	United Kingdom
Ruveta	Sugar beet	High sugar content, Rhizomania tolerance, Cercospora resistance	Germany, France, Belgium
Bethanol®	Sugar beet	High ethanol production	Germany, France
Protecta	Sugar beet	High sugar content and Rhizoctonia resistance	Slovakia, Hungary, Czech Republic
Energ'HiF™	Sugar beet	Germination enhancing technology	Worldwide
NK® Countri	Sunflower	High yield	France, Eastern Europe
NK® Ferti	Sunflower	High yield	France, Spain, Eastern Europe
NK® Oleko	Sunflower	High yield	Spain
NK® Meldini	Sunflower	IMI-herbicide tolerance	Eastern Europe

Recently Launched Products

Product	Crop Use	Targets	Market
Field Crops			
NK [®] Armoni	Sunflower	IMI-herbicide tolerance	France, Eastern Europe
NK [®] Nemax	Oilseed rape	High yield	Germany
NK [®] Grace	Oilseed rape	High yield	United Kingdom
NK [®] Petrol	Oilseed rape	High yield	Germany, United Kingdom
Vegetables and Flowers			
Rosso Bruno [™]	Tomato	Sweet tasting tomato with a dark colored skin	United States
Toscanello [™]	Tomato	Small sweet tomato	Switzerland, Australia, Netherlands
Gwanipa [®]	Melon	Refreshing, sweet tasting melon	Europe
Solinda [™]	Watermelon	Full flavour, super-sweet, juicy fruit	Europe, Brazil
Fidelity [™] series	Geranium cuttings	Consistent early large flowered quality	United States, Europe
Plush [™] series	Petunia	Early blooming trailing type from Seeds	United States, Europe
Endurio [™] series	Viola	Unique creeping winterflowered small flowered Viola	United States, Europe

Products in Development

We seek to produce improved hybrid and varietal seeds to meet the varying circumstances and demands of our customers. We work towards further improvement of traits advantageous to the grower, i.e., input traits, such as resistance to diseases and insects, and greater yield. We are also concentrating on developing products that are advantageous to the food and feed industry and to the consumer, 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. In Vegetable Seeds, Syngenta develops new products to provide consumers with consistent high quality, improved appearance, taste and texture. Powerful analytical science has been expanding knowledge of taste, flavor and nutrition. Combined with advanced breeding technology, this is accelerating the introduction of novel varieties.

The following describes some of the development work currently in progress:

· Syngenta filed for registration of new Sugar Beet Roundup Ready^{® 1} varieties in all US sugar beet growing areas with the intention of launching the varieties for commercial use in 2008. This will assist beet producing farmers in

reducing costs.

- *Syngenta is working with two partners in the United Kingdom in a pilot project to turn oilseed rape into electricity, using an NK[®] brand oilseed rape hybrid and Syngenta Crop Protection products. This is the first such commercial project in Europe.*
- *Our US Wheat program has generated innovative White Wheat varieties, for example Platte, which allow flour to be produced with higher fiber and nutritional content for the baking industry.*

1 Roundup Ready is a registered trademark of Monsanto Technology LLC

Recently Launched Products

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

- *Dulcinea Farms LLC, (100% owned subsidiary) aims at growing, distributing and promoting an assortment of premium branded fresh produce. In 2006, sales volumes grew by 30% further strengthening the brand Dulcinea Farms[™] and Pureheart[®] within the fresh produce category of major retailers in the United States. A recently launched product is Rosso Bruno[™] (sweet tasting tomato with a*

dark colored skin) which further strengthens the product portfolio. We continue with test marketing of new consumer-attractive products in the United States, Europe and other parts of the world.

- 2006 saw the introduction of Agrisure™ GT - Syngenta's proprietary glyphosate tolerance corn trait stacked with European corn borer protection, and the formation of GreenLeaf Genetics™ 50:50 joint venture with Pioneer Hybrids, Inc. to jointly out license traits and germ-plasm to build on our existing out licensing business.*
- 2006 saw the launching of a number of corn varieties covering the specific requirements of Eastern Europe climatic conditions: ie NK® Thermo and late maturity hybrids adapted to heat stress conditions (NK® Atria). In addition, we were the first seed company to introduce Cruiser-treated seed in a number of EU markets.*

Key Marketed Products

Field Crops

- Corn. We offer NK®, Garst® and Golden Harvest®, brand corn hybrids via established distribution channels covering a full range of maturities. In addition, hybrids and inbred lines are licensed to other seed companies via the GreenLeaf Genetics™ 50:50 joint venture with Pioneer Hybrids, Inc. Syngenta hybrids are characterized by their high yield potential, stability of performance, 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, and Agrisure™ GT products with tolerance to glyphosate herbicide. (YIELDGARD® is a registered trademark of Monsanto Company, Agrisure™ is a trademark of a Syngenta Group Company).*
- Sugar beet. HILLESÖG® 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, herbicide tolerance and oil quality. 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®, NFC New Farm Crops®, AgriPro® - Coker® and C.C. Benoist® Wheat and Barley varieties combine high yield, superior disease resistance and agronomic characteristics coupled with excellent grain quality for the malting and milling industry.*

Vegetables and Flowers

- Vegetables. Under the S&G® and ROGERS® brand names, Syngenta offers a full range of vegetable seeds, including tomatoes, peppers, melons, watermelons, squash, cauliflower, cabbage, lettuce, spinach, sweet corn, beans, peas, cucumbers and oriental radish. We breed varieties with high-yield potential that can resist and tolerate pests and diseases. We develop genetics that address the needs of consumers as well as processors and commercial growers. During 2006, we launched approximately 150 new varieties in the high value markets around the globe. In addition, we further strengthened our premium fresh produce activity, Dulcinea® Farms, in the United States.*
- Flowers. Under the S&G® brand name, we offer a full range of flower seeds, plugs and vegetative multiplication material (cuttings) which we sell to professional growers of horticultural crops. We focus on breeding a full range of innovative flower varieties, including popular bedding plants such as begonia and petunia; pot plants, such as cyclamen; cuttings for, amongst others, the growing market of hanging baskets, such as impatiens and verbena; and a wide range of attractive perennials.*

Principal Markets

The following table sets out 2006, 2005 and 2004 sales of our seed products by region:

Products	Syngenta Sales					
	2006 (US\$ million)	(%)	2005 (US\$ million)	(%)	2004 (US\$ million)	(%)
Europe, Africa & Middle East	690	40	699	39	641	52
NAFTA	838	48	903	50	437	35
Latin America	107	6	107	6	86	7
Asia Pacific	108	6	88	5	75	6
Total	1,743	100	1,797	100	1,239	100

Production

Independent contract growers tend to 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, France, Hungary, India, Morocco, the Netherlands, Spain, Sweden, Thailand 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[®], GOLDEN HARVEST[®], GARST[®], HILLES[®]HÖG, S&G[®] and ROGERS[®]. The NK[®] brand is used for corn, soybean, sunflowers and oilseed rape, and several other specialty crops. GOLDEN HARVEST[®] and GARST[®] are predominantly used in North America in corn, soybeans, alfalfa and sorghum. Corn and Soybean germ-plasm and traits are marketed via the GreenLeaf Genetics[™] 50:50 joint venture with Pioneer Hybrids, Inc. Proprietary corn traits are marketed under the Agrisure[™] trademark. The HILLES[®]HÖG 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, the Middle East, Africa and Asia, 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, especially those tailored to local customer needs, 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 and cereals. 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 around 70 breeding and germplasm enhancement centers, which focus on advancing the performance, stability and quality of seed varieties for more than 16 food and feed crops. Because our customers need locally adapted crop varieties, and in order to satisfy local concerns, our centers are strategically located around the world. At these centers, over one thousand permanent employees leverage our global germplasm, trait, biotech and knowledge resources to focus our 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 technology research technology sites in Brazil, France, Germany, Great Britain, the Netherlands, Spain, Sweden, Thailand 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 in Seeds was US\$232 million in 2006, US\$213 million in 2005 and US\$186 million in 2004.

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 and trait base that enables us to 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.*
- *Maisadour Semences SA, a minority shareholding in a corn and sunflower seed company in France.*
- *Koipesol Semillas SA, a majority shareholding in a sunflower seeds company, the other party to which is SOS, a leading Spanish company in the edible oil and food industry.*
- *Pioneer Hi-Bred International, Inc. - collaboration on the development of GM (Genetically Modified) traits for our branded businesses and GreenLeaf Genetics™.*
- *Performance Plants, Inc. - collaboration on the development of GM drought tolerance in corn and soybean.*
- *In addition, we have entered into a number of research and development agreements with companies and academic institutions around the world.*

Competitive Environment

The main competitive factor in the seeds industry remains the quality of genetics and traits. 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 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 a broad genetic range. At present, Syngenta's main competitors in the seeds business are: Ball, Bayer, Dow (Mycogen), KWS, Limagrain, Monsanto/Seminis, Pioneer/DuPont, Sakata, 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 contractual 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 Food and Drug Administration, and under some circumstances the Environmental Protection Agency.

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 commercialized. 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 plant 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.

27

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, Syngenta believes it 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 market segments. 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.

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.

Production

Plant Science manufactures and sells one product, QUANTUM® Phytase, a microbial produced animal feed supplement, which is commercially available in Mexico, Brazil and Canada. There are two stages to the microbial phytase manufacturing process, production of the active enzyme by fermentation and formulation. Both processes are currently carried out under toll manufacture arrangements.

Products in Development

Plant Science generates some income through product sales of QUANTUM® Phytase in Mexico, Brazil and Canada with registration in the United States awaited, and through outlicensing of technology. Syngenta expects 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.

Up until 2005 work had been carried out on pharmaceutical compounds. In light of the extended time lines and associated costs of full commercialization, in 2006 Syngenta discontinued work on these compounds.

Enzymes for biofuels represent an opportunity for Syngenta. Work continued in 2006 on a corn produced alpha amylase enzyme with full scale testing scheduled for 2007. A ten year research and development agreement was signed with Diversa Corporation focusing on the discovery and development of a range of novel enzymes to convert pre-treated cellulosic biomass economically to mixed sugars.

Some of the Plant Science projects described here are expected to be commercially available within five years.

Sectors

Cotton

Targets

VipCot® for improved resistance to insects

Animal Feed

QUANTUM® Phytase providing reduced pollution and improved production economics

Biofuels

Amylase corn for use in the production of ethanol

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

Research and Development

Syngenta maintains its primary center for biotechnology research at Syngenta Biotechnology, Inc. (SBI) in Research Triangle Park in the United States. This site is dedicated to research in agricultural genomics and biotechnology. In-house work is complemented and strengthened through numerous alliances and collaborations.

Effective 31 December 2006, Syngenta and Diversa Corporation, in which Syngenta holds a minority interest, signed a research agreement which replaces an agreement previously entered into in 2003. This new agreement focuses on plant based production of enzymes in the areas of biofuels and animal feed.

In addition to Diversa, other Syngenta external alliances include a licensing agreement with Delta and Pine Land Company for insect control in cotton. The announcement in 2006 of Monsanto's proposed acquisition of Delta and Pine Land may impact this

arrangement. The licencing agreement provides that if Monsanto acquires Delta and Pine Land, the sum of \$50 million is to be paid to Syngenta, Delta and Pine Land's licences to Syngenta's cotton insect traits become non-exclusive and Monsanto will have the right to terminate the agreement.

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 laboratories 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 center at SBI.*
- 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 regulating genes to achieve 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\$74 million in 2006, US\$100 million in 2005 and US\$124 million in 2004.

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, fuel production, 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 DSM, Novozymes, Danisco and BASF.

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 US 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 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 that 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 33 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 (production sites are crop protection unless otherwise stated):

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. Manufacturing ceased at the end of 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
Monthey, Switzerland	Freehold	10,515,160	Production
Huddersfield, West Yorkshire, UK	Freehold	10,756,200	Production
Cold Creek, Alabama, USA	Freehold	9,539,900	Production until 2007
Goa, India	Freehold	8,668,000	Production
Grangemouth, Falkirk, UK	Freehold	1,000,000	Production
Landskrona, Sweden	Freehold	8,072,900	Research, production and marketing ⁽²⁾
Greens Bayou, Texas, USA	Freehold	5,898,800	Production
Enkhuizen, The Netherlands	Freehold	3,536,700	Administration, research and marketing ⁽²⁾
Stein, Switzerland	Freehold	1,948,700	Research center
Research Triangle Park, North Carolina, USA	Freehold	1,176,120	Research center
Aigues-Vives, France	Freehold	1,538,680 ⁽³⁾	Production
Nérac, France	Freehold	586,870	Production ⁽²⁾
Saint-Sauveur, France	Freehold	1,395,650	Administration, research ⁽²⁾
Nantong, China	Leasehold	1,496,000	Production
Münchwilen, Switzerland	Freehold	610,300	Production
Grimsby, UK	Freehold	181,300	Formerly production. Plant closed at the end of 2003.
Kaisten, Switzerland	Freehold	124,808 ⁽⁴⁾	Production
Bayport, Texas, USA	Leasehold	3,758,750	Production until 2007 ⁽⁵⁾

⁽¹⁾ Used for crop protection and seed business. In January 2007 Syngenta announced a partial sale of this property with the transaction expected to complete in the first half of 2007. Following this sale, the size of the property

retained will amount to 254,000 square feet.

- (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

Introduction

The following discussion includes forward-looking statements subject to risks and uncertainty. See “cautionary statement concerning forward-looking statements” at the end of this document. This discussion also includes non-GAAP financial data in addition to GAAP results. See Appendix A to Operating and Financial Review 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

Approximately 64% of Syngenta’s sales and 67% of Syngenta’s costs in 2006 were denominated in currencies other than US dollars. Therefore Syngenta’s results for the period covered by the review were significantly impacted by the movements in exchange rates. Sales in 2006 were 1% lower than 2005 on a reported basis, but were flat year on year when calculated at constant rates of exchange. The Company therefore provides analysis of results calculated at constant exchange rates (CER) and also actual results to allow an assessment of performance before and after taking account of currency fluctuations. To present CER information, current period results for entities reporting in currencies other than US dollars are converted into US 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.

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 high value commercial sectors: seeds for field crops including corn, soybean, other oilseeds and sugar beet; and vegetable and flower seeds. Syngenta is also developing a Plant Science business. 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 affected by the growing importance of biotechnology to agriculture and the use of genetically modified crops.

Syngenta operates globally to capitalize on its technology and marketing base. Syngenta’s largest markets are Europe, Africa and the Middle East (EAME), and NAFTA¹, which both represent approximately 36% of consolidated sales in 2006 (2005: 37% and 37%; 2004: 40% and 32%). 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 and research and development are largely based in Switzerland, the United Kingdom and the United States of America.

In this document there are references to market share estimates. These estimates utilize, where possible, information published by major competitors and are supplemented by Syngenta marketing staff estimates.

The consolidated financial statements are presented in US dollars, as this is the major currency in which revenues are denominated. However, significant, but differing proportions of Syngenta’s revenues, costs, assets and liabilities are

denominated in currencies other than US dollars. Approximately 22% of sales in 2006 were denominated in Euros, while a significant proportion of costs for research and development, administration, general overhead and manufacturing were denominated in Swiss francs and British pounds sterling (30% in total). Sales in Swiss francs and British pounds sterling together make up 3% of total sales. Marketing and distribution costs are more closely linked to the currency split of the sales. As a result, operating profit in US 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 US 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 strategies such as hedging. For further information please refer to Note 32 of the consolidated financial statements.

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

¹ NAFTA - North American Free Trade Association comprising the USA, Canada and Mexico

statements are (i) adjustments for doubtful receivables, (ii) environmental provisions, (iii) impairment, (iv) defined benefit pensions and (v) uncertain tax positions. These policies are described in more detail later in this report.

Summary of Results

The Crop Protection market was difficult in 2006, with lower corn acreage in the USA, the impact of the strong Brazilian real on the competitiveness of the agricultural export sector in Brazil and adverse weather conditions in several countries, including a prolonged winter in Western Europe and drought in the Southern USA. Syngenta estimates that the total crop protection market has declined. In this context, Syngenta Crop Protection performed strongly and estimates to have gained market share overall. Professional Products sales grew strongly, with further development of the Seed Treatment market and the acquisition of Conrad Fafard, Inc. in the ornamentals market. In the Europe, Africa and Middle East (EAME) region, growth in Eastern Europe and in Africa and the Middle East offset lower sales in Western Europe. Sales growth was achieved in a number of markets in Asia Pacific and moderate growth was experienced in Latin America. In Seeds, growth in Diverse Field Crops and Vegetables largely offset the decline in Corn & Soybean due to first quarter production-related issues in corn. Gross profit margin was lower in 2006 despite strong delivery of production cost savings, largely due to the impact of the higher oil price on raw material costs and lower local currency sales prices in Crop Protection. Excluding restructuring and impairment, total expenses in 2006 were lower than 2005, despite increased costs in marketing and development in the Seeds business. Restructuring and impairment charges were higher following the announcement of further restructuring in research and development, which included the closure of a development facility in the UK. Financial expense, net, was lower than in 2005 due to the realisation of an exchange gain on a group funding position and the inclusion in 2005 of premium costs on the partial repurchase of an outstanding Eurobond. Together, these factors contributed to an increase in net income attributable to Syngenta AG shareholders of 2% and growth in diluted earnings per share of 4%.

Results in 2005 relative to 2004 benefited significantly from the acquisitions in the Seeds business in 2004. Syngenta estimates that Crop Protection markets slowed in 2005. In addition, after strong sales growth in 2004, the strength of the Brazilian real in 2005 had an adverse impact on the competitiveness of the agricultural export sector in Brazil and reduced underlying demand for Crop Protection products. These factors were offset by strong demand for the recently launched CALLISTO[®] family of products in the USA and significant growth in KARATE[®] and AMISTAR[®], leading Crop Protection sales in the critical US market to grow by more than the estimated market growth. This was the key driver for top line growth in the segment. In addition to the acquisitions, underlying demand in Corn & Soybean seeds was strong. Sales of sunflowers and sugar beet seeds were also strong in Europe. Gross margins benefited from cost savings in the Crop Protection business, but these were offset by increased costs resulting from high oil and gas prices. Expenses in 2005 reflected the acquisitions, completed in the second half of 2004, increased patent and other litigation costs and also the costs associated with the impact of unintended release of Bt10 corn into commercial sale, offsetting lower restructuring and impairment charges and the impact of ceasing goodwill amortization after adoption of IFRS 3. Sales volume growth offset the increase in expenses and impact of the high oil price and despite the unusually low tax rate in 2004, Syngenta reported a 20% increase in diluted earnings per share from continuing operations in 2005 compared to 2004.

Acquisitions

On June 1, 2006, Syngenta purchased 100% of the shares of Emergent Genetics Vegetable A/S (“EGV”). On August 1, 2006, Conrad Fafard Inc., (“Fafard”) merged with a Syngenta subsidiary so that Syngenta acquired control of Fafard and its subsidiaries in exchange for cash paid to or for the account of Fafard’s former shareholders and settlement of certain liabilities of Fafard. On November 16, 2006, Syngenta acquired the remaining 50% of the shares of Longreach Plant Breeders Pty Ltd (LRPB) that it did not already own. The cost of these acquisitions, net of cash acquired, amounted to US\$146 million.

In March 2006, Syngenta acquired from DuPont an exclusive worldwide license to develop DuPont's new insecticide Rynaxypyr™ in mixtures with its own insect control products. At the same time, Syngenta sold to DuPont worldwide rights to Syngenta's strobilurin fungicide pycoxystrobin, sold as ACANTO®.

On September 1, 2004, after Fox Paine & Co acquired a 10% interest in the Advanta corn, soybean and wheat seed business in North America, Syngenta acquired 100% of the shares of Advanta B.V. On September 8, 2004, Syngenta sold Advanta B.V's European, Asian and Latin American subsidiaries and other parts of its North America business to Fox Paine & Co. The net cash cost of acquisition, after deducting proceeds of assets purchased exclusively for resale and cash in the acquired companies was US\$327 million. Syngenta retains a 90% interest in Advanta's former corn, soybean and wheat seed business in North America, which trades as Garst.

On July 31, 2004, in a single transaction, Syngenta acquired a 90% voting interest in each of the following entities which are collectively referred to as "Golden Harvest": Garwood Seed Co.; Golden Seed Co. LLC; Golden Seed Co. Inc.; J C Robinson Seeds Inc.; Sommer Bros Seed Co.; Thorp Seed Co.; and Golden Harvest Seeds Inc. The cost of the acquisition, net of cash acquired, was US\$154 million.

Except for the Rynaxypyr™ and ACANTO® product acquisition and divestments, these transactions are described in Note 3 to the consolidated financial statements. Since completion of the 2004 transactions occurred after the end of the main selling season, their contribution to sales was largely in 2005 rather than 2004.

Operational Efficiency Programs

On February 11, 2004, Syngenta announced an Operational Efficiency cost saving program. The program was initiated to realize further cost savings after completion of the integration of the former Novartis and Zeneca businesses and in response to low underlying growth in the Crop Protection markets. Cash costs of the program were estimated at around US\$500 million, expected to be largely spent over the period 2004 to 2008 and non-cash charges were estimated at approximately US\$350 million over a similar period. Cash spent under the program from 2004 to the end of 2006 totals US\$227 million. Cost savings under the program have been partly offset by the impact of higher oil prices, which are estimated to be in excess of US\$200 million since the beginning of 2004. This program is expected to be completed one year ahead of schedule in 2007, with cash costs in line with the initial estimate of US\$500 million and non cash charges of US\$320 million.

A further Operational Efficiency restructuring program was approved by the Syngenta Board on February 7, 2007, to drive cost savings which will be partly used to offset increased expenditure in research and technology, marketing and product development in the growth areas of Seeds and Professional Products. Savings are targeted in both cost of goods sold and other operating expenses. The cost of the new program is estimated at US\$700 million in cash and US\$250 million in non-cash charges in the period up to 2011.

Results of Operations

2006 Compared to 2005

Sales commentary

Total Syngenta consolidated sales for 2006 were US\$8,046 million, compared to US\$8,104 million in 2005. Reported sales in US dollars were one percent lower, but sales were unchanged at constant exchange rates. The analysis by segment is as follows:

(US\$ million, except growth %)	Full Year		Growth	
	2006	2005	Actual %	CER %
Crop Protection	6,378	6,330	1	1
Seeds	1,743	1,797	(3)	(2)
Plant Science	2	-	-	-
Inter-segment elimination	(77)	(23)	-	-
Total	8,046	8,104	(1)	-

Sales by region were as follows:

(US\$ million, except growth %)	Full Year		Growth	
	2006	2005	Actual %	CER %
Europe, Africa and Middle East	2,917	2,973	(2)	1
NAFTA	2,900	2,972	(2)	(3)
Latin America	1,141	1,133	1	1
Asia Pacific	1,088	1,026	6	7
Total	8,046	8,104	(1)	-

Crop Protection

Sales in 2006 were 1% higher than in 2005 at actual and constant exchange rates. Volumes were 2% higher in 2006 than 2005, offset by a 1% decline in local currency prices. Sales are estimated to have outperformed a declining market. Sales of products launched since 2000 continued to expand, up 23%, 25% at constant exchange rates, driven by the successful launches of AXIAL[®] and AVICTA[®] and by continuing growth in CALLISTO[®] and ACTARA[®]/CRUISER[®].

Sales were higher in NAFTA due to a strong performance in Professional Products. In EAME, growth in Eastern Europe and in Africa and Middle East offset lower sales in Western Europe. In Latin America, growth was achieved despite reduced soybean acreage in Brazil following estimated further gains in market share. Asia Pacific increased sales in a number of markets, notably India, China and South East Asia. Sales of Professional Products were up 18%, with strong growth in Seed Care, including increased usage with Syngenta Seeds, supplemented by a good performance in Lawn and Garden. In August the ornamentals business was augmented by the acquisition of Conrad Fafard Inc., which contributed 3% to the growth in Professional Products.

Sales by Product line are set out below.

Product line	Full Year		Growth	
	2006 US\$ million	2005 US\$ million	Actual %	CER %
Selective herbicides	1,813	1,889	(4)	(3)

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Non-selective herbicides	725	688	5	5
Fungicides	1,716	1,779	(3)	(2)
Insecticides	1,093	1,100	(1)	-
Professional products	958	807	18	18
Others	73	67	8	8
Total	6,378	6,330	1	1

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 AXIAL[®], CALLISTO[®] family, DUAL[®]/ BICEP[®] MAGNUM, ENVOKE[®], FUSILADE[®] MAX, TOPIK[®]

Sales of selective herbicides were 4% lower, 3% at constant exchange rates, with volumes down 2% and local currency prices down 1%. The CALLISTO[®] range for corn continued to expand in both the Americas and in Europe augmented by the roll-out of combination products of CALLISTO[®] with other active ingredients. In the USA sales of selective herbicides overall were lower due primarily to a reduction in corn acreage. In cereal herbicides, AXIAL[®] was successfully launched in a number of major markets. Sales of TOPIK[®] were lower reflecting unfavourable weather conditions in Europe and the USA.

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

Non-selective herbicide sales were up 5%, largely due to higher volumes. Both GRAMOXONE[®] and TOUCHDOWN[®] demonstrated good growth. TOUCHDOWN[®] grew strongly in the USA, driven by the expanded product range and the further penetration of glyphosate-tolerant technology in corn. GRAMOXONE[®] achieved growth in Latin America and broad-based growth in Asia, augmented by the successful launch of the INTEON[®] formulation in South Korea.

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

Fungicides sales were 3% lower, 2% at constant exchange rates, due to reduced volumes partly as a result of the divestment of ACANTO[®] to DuPont in 2006. Sales of AMISTAR[®] increased in Asia and in Latin America, despite difficult market conditions in Brazil; they were lower in Europe due to the severe winter and in the USA partly due to drought in the south. SCORE[®] showed good growth, notably in Asia.

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

Insecticide sales were down 1%, flat at constant exchange rates, with volume growth of 2% offset by lower local currency sales prices. Sales of KARATE[®] were lower in the USA in comparison with the previous year which benefited from an exceptional outbreak of soybean aphids. This was offset by ACTARA[®] which delivered strong growth in all regions, notably in Latin America. Sales of FORCE[®] grew strongly in Eastern Europe and the product is estimated to have gained market share in the USA. PROCLAIM[®] benefited from strong demand from vegetables.

Professional Products: major brands AVICTA[®], CRUISER[®], DIVIDEND[®], HERITAGE[®], MAXIM[®]

Seed Care, Lawn & Garden and Home Care all achieved double digit growth with sales overall 18% higher, following volume growth of 21% partly offset by 3% lower local currency prices. Approximately 3% of the volume growth was due to the Fafard acquisition in the second half of the year and volume growth also included increased usage with Syngenta Seeds. In Seed Care, CRUISER[®] grew strongly in all regions with new launches and is estimated to have increased market share. AVICTA[®] was successfully launched on cotton in the USA and is expanding into the vegetables market. In Lawn & Garden the acquisition of Fafard strengthened the company's presence in ornamentals and added to solid underlying growth.

Commentary on regional performance

Region	Full Year		Growth	
	2006	2005	Actual	CER
	US\$ million	US\$ million	%	%
Europe, Africa and Middle East	2,242	2,283	(2)	-
NAFTA	2,119	2,081	2	1
Latin America	1,036	1,027	1	1
Asia Pacific	981	939	4	5
Total	6,378	6,330	1	1

Sales in **Europe, Africa and the Middle East** were 2% lower, unchanged at constant exchange rates, with 1% volume growth offset by lower local currency prices. Growth in Eastern Europe, Africa and the Middle East offset lower sales in Western Europe due to a prolonged winter and ongoing subsidy structural reform. Syngenta estimates to have gained market share in several

key European markets including Germany, Italy and the UK. A good performance in Selective Herbicides, helped by the launch of AXIAL[®], and in Professional Products more than offset a decline in fungicide sales.

Sales in **NAFTA** were 2% higher, 1% at constant exchange rates with local currency prices lower, but volume up 2% despite a difficult season in the USA due to a weaker farm economy and lower corn acreage and drought in the south. As a result, sales of selective herbicides and fungicides were lower; insecticides were also lower following exceptionally high 2005 growth. Non-selective herbicides, notably TOUCHDOWN[®], benefited from further penetration of biotechnology and delivered good growth. New products performed well driven by CALLISTO[®], ACTARA[®] and the launch of AXIAL[®] in cereals. Professional Products performed strongly, notably Seed Treatment driven by CRUISER[®] and the launch of AVICTA[®]. Growth in ornamentals was augmented by the acquisition of Fafard in Lawn & Garden.

Sales in **Latin America** grew 1%, with 5% volume growth offset by 4% lower US dollar sales prices, despite difficult market conditions in Brazil. The breadth of the product portfolio and effective credit risk management are estimated to have led to further market share gains. ACTARA[®] / CRUISER[®] delivered a particularly strong performance. Sales were higher in Argentina driven by herbicides and insecticides.

Asia Pacific sales grew 4%, 5% at constant exchange rates, with volumes 6% higher, but local currency prices 1% down. Growth of more than 10% was achieved in a number of markets including China, Vietnam, Thailand and Indonesia. GRAMOXONE[®], SCORE[®], PROCLAIM[®] and CRUISER[®] all delivered particularly strong growth.

Seeds

Sales were 3% lower, 2% at constant exchange rates, with volumes and local currency prices each 1% down. Strong growth in Diverse Field Crops and Vegetables largely offset a decline in Corn and Soybean due to first quarter production related issues in corn. Diverse Field Crops performed strongly, capitalizing on the increased demand for biofuels. In Vegetables, demand for fresh produce continues to expand and sales showed growth across all regions, with a particularly strong performance in the developing markets of Latin America and Asia. The input trait pipeline for corn progressed well, with the launch of the glyphosate tolerance/corn borer double stack and the granting of EPA approval in October for Agrisure[™] RW, a proprietary trait for corn rootworm control, and Agrisure[™] CB/RW double-stack in January 2007.

Product line	Full Year		Growth	
	2006 US\$ million	2005 US\$ million	Actual %	CER %
Corn & Soybean	785	880	(11)	(10)
Diverse Field Crops	309	301	3	7
Vegetables	421	384	9	10
Flowers	228	232	(2)	-
Total	1,743	1,797	(3)	(2)

Field Crops (Corn & Soybean and Diverse Field Crops): major brands NK[®], GARST[®], GOLDEN HARVEST[®] corn and oilseeds, HILLESHÖG[®] sugar beet

Corn & Soybean sales were 11% lower, 10% at constant exchange rates, with volumes 8% lower and local currency prices down 2%. Sales were affected by first quarter production related issues in corn, which reduced product availability.

Diverse Field Crop sales were 3% higher, 7% at constant exchange rates, with volumes 5% higher and local currency prices 2%. Sales included strong growth in sunflower in Eastern Europe, and oilseed rape in Germany and the UK,

driven by demand for biodiesel. Sugar beet sales were lower in Western Europe due to the reform of sugar subsidies; this was largely offset by growth in Eastern Europe, notably Russia.

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

Growth in vegetables accelerated in the second half to reach 9%, 10% at constant exchange rates, with 2% from higher local currency sales prices and 8% from volume, including a positive contribution from the acquisition of EGV in Denmark. Sales in the emerging markets of Latin America and Asia Pacific continued to expand rapidly. Sales of branded fresh produce rose by 31% with an expansion of the retail network in the USA.

Sales of S&G[®] flowers were 2% lower, unchanged at constant exchange rates, despite unfavourable spring weather in Europe and the impact of drought in Australia.

Commentary on regional performance

Regional	Full Year		Growth	
	2006	2005	Actual	CER
	US\$ million	US\$ million	%	%
Europe, Africa and Middle East	690	699	(1)	3
NAFTA	838	903	(7)	(7)
Latin America	107	107	-	(1)
Asia Pacific	108	88	23	22
Total	1,743	1,797	(3)	(2)

Sales in **Europe, Africa and the Middle East** were 1% lower, but increased 3% at constant exchange rates, with volumes 2% higher and local currency prices 1% higher. Sales were driven by higher volumes in Diverse Field Crops and Vegetables, which grew strongly, most notably in Eastern Europe.

In **NAFTA** sales were down 7% at actual exchange rates and at constant exchange rates due to first quarter production related issues in corn with volumes 6% lower and local currency prices down 1%. This was partially offset by growth in Vegetables and Fresh Produce sales.

In **Asia Pacific**, sales increased by 23%, 22% at constant exchange rates, with 18% volume growth and a 4% increase in local currency prices. Corn & Soybean sales were strong in India. Vegetables sales also grew strongly due to favorable sales of sweet corn.

Operating Income

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.

Operating Income	Full Year		Growth	
	2006	2005	Actual	%
	US\$ million	US\$ million		
Crop Protection	901	996	(10)	
Seeds	44	17	159	
Plant Science	(79)	(153)	48	
Inter-segment profit elimination	(37)	-	-	
Total	829	860	(4)	

Operating income decreased by 4% to US\$829 million, largely due to increased charges for restructuring and impairment in Crop Protection. Sales were 1% lower, flat at constant exchange rates. Gross profit margin declined by 0.8%, with lower margins in the Crop Protection business, where production cost savings were more than offset by the impact of the higher oil price and reduced capacity utilization. Marketing and distribution costs decreased by 3%, with increased marketing spend in Seeds and from the Fafard acquisition more than offset by cost savings and lower charges for doubtful debt provisions in Latin America. Research and development costs were 3% lower, with increased development spend in Seeds offset by stopping the work on plant-produced pharmaceuticals and the benefits of the Operational Efficiency Program. General and administrative costs were 10% lower, 11% at constant exchange rates, with cost savings from the Operational Efficiency Program, the favourable impact of a pension rule change in the UK and compared to 2005 which included the costs arising from the unintended release of Bt10 corn into commercial sale. Restructuring and impairment costs increased from US\$212 million in 2005 to US\$301 million in 2006, with the continuation of the Operational Efficiency Program initiated in February 2004. These costs are described in more detail below.

The US\$31 million decline in operating income was more than accounted for by the US\$89 million increase in charges for restructuring and impairment. Movements in exchange rates between 2005 and 2006 and particularly the weaker Euro in the main first half selling season, together with an adverse movement in the net EBITDA (earnings before interest, tax, depreciation and amortization) hedging result, reduced operating profit by an estimated US\$31 million. The EBITDA hedging program is designed to protect anticipated transactions from adverse movements in exchange rates, using options and forward contracts to reduce volatility in EBITDA. The net hedging result under the EBITDA hedging program, which is reported within general and administrative costs, was a loss of US\$14 million in 2006 compared to a gain of US\$5 million in 2005. Gains on disposal of non-current assets in 2006 were US\$31 million, compared to US\$15 million in 2005.

Crop Protection Operating Income

(US\$ million, except growth %)	Total		Restructuring and impairment		Before Restructuring and impairment		%	%
	2006	2005	2006	2005	2006	2005	Growth Actual	Growth CER
Sales	6,378	6,330	-	-	6,378	6,330	1	1
Cost of goods sold	(3,126)	(3,033)	(8)	-	(3,118)	(3,033)	(3)	(4)
Gross profit	3,252	3,297	(8)	-	3,260	3,297	(1)	(1)
as a percentage of sales	51%	52%			51%	52%		
Marketing and distribution	(1,037)	(1,106)	-	-	(1,037)	(1,106)	6	6
Research and development	(490)	(509)	-	-	(490)	(509)	4	3
General and administrative	(549)	(557)	-	-	(549)	(557)	1	3
Restructuring and impairment	(275)	(129)	(275)	(129)	-	-	-	-
Operating income	901	996	(283)	(129)	1,184	1,125	5	7
as a percentage of sales	14%	16%			19%	18%		

Despite strong delivery of production cost savings related to the Operational Efficiency Program, gross profit margins were lower in 2006 than 2005 due to the impact of the higher oil price, reduced capacity utilisation and local currency sales prices being 1% lower. Marketing and distribution costs were 6% lower with the impact of the Fafard acquisition more than offset by cost saving initiatives and the lower charge for provisions for doubtful receivables in Latin America. Research and development costs reduced by 4%, 3% at constant exchange rates, with continuing benefits from the Operational Efficiency Program and savings in development in advance of the restructuring program initiated in the second half of 2006. General and administrative costs were 1% lower, 3% lower at constant exchange rates, with cost savings and the favorable impact of the change in the UK pension fund partly offset by some increase in liability provisions.

Restructuring and impairment is defined in Note 7 to the consolidated financial statements. In 2006 and 2005, these costs largely relate to the Operational Efficiency Program initiated in February 2004. Restructuring and impairment within costs of goods sold in 2006 includes the reversal of the purchase accounting inventory step-up relating to the Fafard acquisition. Restructuring and impairment is discussed in more detail later in this section.

Operating income was US\$95 million lower at US\$901 million due to the US\$146 million increase in charges for restructuring and impairment. Excluding restructuring and impairment, operating expense cost savings more than offset the impact of the lower gross profit.

With the US dollar stronger against the core currencies of Euro, Swiss franc and British pound sterling in the key first half selling season and then weaker in the second half, the net effect of the US dollar movements was to reduce operating income by approximately US\$17 million.

Seeds Operating Income

(US\$ million, except growth %)	Total	Restructuring and impairment		Before Restructuring and impairment		% Growth Actual	% Growth CER	
		2006	2005	2006	2005			2006
Sales	1,743	1,797	-	-	1,743	1,797	(3)	(2)
Cost of goods sold	(894)	(940)	(17)	(24)	(877)	(916)	4	3
Gross profit	849	857	(17)	(24)	866	881	(2)	-
as a percentage of sales	49%	48%			50%	49%		
Marketing and distribution	(429)	(408)	-	-	(429)	(408)	(5)	(5)
Research and development	(232)	(213)	-	-	(232)	(213)	(9)	(8)
General and administrative	(106)	(169)	-	-	(106)	(169)	37	35
Restructuring and impairment	(38)	(50)	(38)	(50)	-	-	-	-
Operating income	44	17	(55)	(74)	99	91	9	26
as a percentage of sales	3%	1%			6%	5%		

Sales for 2006 were down 3%, 2% at constant exchange rates, mainly due to the production related issues in corn in the first half of the year. Gross profit margin increased in 2006 over 2005 with higher margins in Diverse Field Crops and the lower weighting of Corn & Soybean in the sales mix. Marketing and distribution costs were 5% higher, with higher marketing and distribution spend in Corn & Soybean in NAFTA. Research and development spend increased 9%, 8% at constant exchange rates, with higher spend on traits development. General and administrative costs were significantly lower, including higher profit on disposal of non-current assets and the inclusion in 2005 of costs arising from the unintended release of Bt10 corn into commercial sale. Restructuring and impairment in 2006 includes US\$32 million of costs relating to the integration of the 2004 acquisitions and eliminating duplicate administration, plant and facilities. Restructuring and impairment within cost of goods sold includes the final reversal of the purchase accounting inventory step-up for the 2004 acquisitions and the write-off of inventories related to exiting unprofitable crops and markets.

The strength of the US dollar against the Euro, in the key first half selling season reduced reported sales and largely contributed to an overall US\$15 million adverse impact on Seeds operating income in 2006 relative to 2005.

Plant Science Operating Income

(US\$ million, except growth %)	Total	Restructuring and impairment		Before Restructuring and impairment		% Growth Actual	% Growth CER	
		2006	2005	2006	2005			2006
Sales	2	-	-	-	2	-	-	-
Cost of goods sold	(2)	-	-	-	(2)	-	-	-
Gross profit	-	-	-	-	-	-	-	-
as a percentage of sales	-	-	-	-	-	-	-	-
Marketing and distribution	(4)	(4)	-	-	(4)	(4)	-	(7)

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Research and development	(74)	(100)	-	-	(74)	(100)	26	25
General and administrative	(13)	(16)	-	-	(13)	(16)	19	19
Restructuring and impairment	12	(33)	12	(33)	-	-	-	-
Operating income/(loss)	(79)	(153)	12	(33)	(91)	(120)		
as a percentage of sales	-	-			-	-		

Research and technology spending was reduced as Syngenta discontinued work on pharmaceutical compounds, as reported in the 2005 operating and financial review.

The restructuring and impairment net gain in 2006 represented the reversal of an onerous contract provision following the renegotiation of the contract on more favorable terms than anticipated at the end of 2005.

Defined Benefit Pensions

Defined benefit pension costs decreased from US\$125 million in 2005 (including US\$20 million of restructuring costs) to US\$110 million in 2006 (including US\$50 million of restructuring costs, and a US\$45 million gain to reflect the change to Syngenta's UK pension fund rules that increased the proportion of benefits which employees can take in the form of a tax free lump sum on retirement). The restructuring costs in 2006 included the social plan costs associated with restructuring in Syngenta's French Crop Protection business and the Crop Protection product development function in the UK.

During 2006, the overall pension scheme funded status - the market value of plan assets divided by the benefit obligation valued using the projected unit credit actuarial method - improved from 89% to 93%. Bond yields increased compared to December 31, 2005, which reduced the valuation of pension liabilities. Asset returns for the three largest funds, which are in the UK, Switzerland and the USA, exceeded the long-term expected return assumption and contributed to the improved funded status. These positive developments were partly offset by the change to the mortality assumptions used to value the UK and Swiss pension liabilities, which reflect recently available data showing increased longevity. Employer contributions to defined benefit plans, excluding contributions related to restructuring and the US\$350 million special lump sum contributions to Syngenta's UK and US pension funds at the end of 2005, were US\$150 million compared to US\$137 million in 2005. The additional US\$350 million contributions have been invested in order to manage plan assets in a manner more closely related to changes in plan liabilities ("asset liability management"). This involves the use of interest rate derivatives by pension plans to manage their exposure to changes in interest rates. Excluding restructuring costs and the impact of the UK pension fund rule change, defined benefit pension expense in 2007 is expected to be approximately US\$15 million lower than in 2006.

Restructuring and Impairment

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

For the year to 31 December	2006		2005	
	US\$ million	US\$ million	US\$ million	US\$ million
Reversal of inventory step-up (in cost of goods sold)			(25)	(24)
Restructuring costs:				
Write-off or impairment				
- property, plant and equipment	(26)		(22)	
- intangible assets	(46)		-	
- other assets	-		(8)	
Non-cash pension restructuring charges	(3)		-	
Total non-cash restructuring charges		(75)		(30)
Cash costs				
- operational efficiency programs	(199)		(125)	
- seeds integration	(36)		(38)	
- merger synergy program and other cash costs	3		-	
		(232)		(163)

Impairment of financial assets	-	(19)
Gains from product disposals	6	-
	(301)	(212)
Total restructuring and impairment charge	(326)	(236)

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 2006, the operational efficiency program announced in 2004 continued with the announcement of a restructuring of the Crop Protection development function, including the closure of one Crop Protection development site in the UK, partial closure and consolidation of development activity at another site and closure or downsizing of several Field Stations around the world. The announcement gave rise to cash costs of US\$78 million and accelerated amortization charges of US\$5 million. Further cash costs of US\$60 million were recorded following the announcements on the consolidation and partial closure of activities in two manufacturing sites in France and Belgium and reductions of sales, marketing and administrative resources in France.

Continuing activity related to restructuring announced prior to 2006 gave rise to cash costs of US\$61 million in Crop Protection operational efficiency programs, and US\$36 million in Seeds, mainly for the ongoing integration of the Seeds NAFTA Corn & Soybean business. Impairments of US\$26 million on property, plant and equipment included accelerated depreciation charges

of US\$22 million for two sites in NAFTA Crop Protection as well as various other smaller charges. In addition to the accelerated amortization noted above, intangible asset impairments relate to a contract termination and the impairment of a supply agreement.

Restructuring and impairment recorded in cost of goods sold in 2006 included the final reversal of inventory step-up on the Garst and Golden Harvest acquisitions and the reversal of the inventory step-up on the Fafard and EGV acquisitions.

In 2005 the operational efficiency program progressed with the announcement of closure of two Crop Protection production sites and the partial closure of another. The program gave rise to cash costs of US\$125 million and asset impairments of US\$25 million in the year. Most of this cost related to the Crop Protection segment, with US\$3 million in Seeds and US\$14 million in Plant Science. The integration of the Garst and Golden Harvest businesses, purchased in 2004, gave rise to cash costs of US\$38 million in the year. Cost of goods sold was increased by US\$24 million due to the reversal of inventory step-up recorded as part of the acquisition accounting on the purchase of the Garst and Golden Harvest businesses. The inventory acquired with these businesses was valued at its fair value less costs to sell, which was higher than its production cost, hence the reversal of this adjustment on the sale of the inventory increased cost of goods sold.

The US\$19 million financial asset impairment in 2005 largely reflects the significant fall in the share price of Diversa Corporation, which at that time fell below the original cost of the shareholding. Subsequent increases in the Diversa share price have been reported as unrealized gains within shareholders' equity.

Financial Expense, net

Net interest expense decreased from US\$66 million in 2005 to US\$53 million in 2006 mainly due to a net premium paid in 2005 for the repurchase of a bond liability. Foreign exchange gains are US\$51 million in 2006, compared to a loss of US\$14 million in 2005 largely due to a one-off impact from the restructuring of an over capitalised British pound sterling balance sheet. There was also a decrease in the amortization of option premia.

Taxes

The overall tax rate in 2006 was 20%, compared to a rate of 18% in 2005. The tax rate on net restructuring and impairment costs at 27% was lower than the 33% of 2005. Future rates will vary depending on the size and nature of restructuring charges and may vary significantly. Syngenta's tax rate in 2006 and 2005 was less than the Swiss statutory tax rate of 25% due in part to income taxed at different rates and to changes in prior year estimates.

Net Income and Other Supplementary Income Data

Net income in 2006 was US\$637 million, with US\$634 million attributable to shareholders of Syngenta AG, compared to US\$626 million in 2005, with US\$622 million attributable to shareholders of Syngenta AG. Operating income was lower in 2006 because of the higher charges for restructuring and impairment, but this was more than offset by lower net financial expense, with net income 2% higher than in 2005.

After related taxation, restructuring and impairment charges in 2006 were US\$238 million compared to US\$157 million in 2005.

Results of Operations

2005 Compared to 2004

Sales commentary

Total Syngenta consolidated sales for 2005 were US\$8,104 million, compared to US\$7,269 million in 2004, with growth of 11% in US dollars and 9% at constant exchange rates. Growth of 6% in total sales came from the 2004 Seeds acquisitions which contributed to sales for the first time in 2005 and 3% from other sales volumes increases. The analysis by segment is as follows:

(US\$ million, except growth %)	Full Year		Growth	
	2005	2004	Actual %	CER %
Segment				
Crop Protection	6,330	6,042	5	3
Seeds	1,797	1,239	45	42
Plant Science	-	-	-	-
Inter-segment elimination	(23)	(12)	-	-
Total	8,104	7,269	11	9

42

Sales by region were as follows:

(US\$ million, except growth %)	Full Year		Growth	
	2005	2004	Actual %	CER %
Region				
Europe, Africa and Middle East	2,973	2,892	3	(1)
NAFTA	2,972	2,306	29	28
Latin America	1,133	1,103	3	3
Asia Pacific	1,026	968	6	5
Total	8,104	7,269	11	9

Crop Protection

Sales in 2005 were 5% higher than in 2004. The weakness of the US dollar contributed to reported sales growth despite the US dollar appreciation from June 2005 and, at constant exchange rates, sales were 3% higher in 2005 than 2004. Sales volumes were 3% higher in 2005, with local currency prices flat overall. Indications are that crop protection markets slowed through the course of 2005, particularly in Latin America where grower earnings from export crops were impacted by the stronger Brazilian real. Demand was also reduced in Europe by a cold early season followed by drought in Southern Europe. In this context, Syngenta's sales performances in Latin America and Europe, Africa and Middle East were positive. Total sales of products launched since 2000 grew by 25%, 23% at constant exchange rates, with continuing growth in the CALLISTO® range (US\$388 million) and in ACTARA®/CRUISER® (US\$359 million).

Sales by product line are set out below.

Product line	Full Year		Growth ⁽¹⁾	
	2005 US\$ million	2004 US\$ million	Actual %	CER %
Selective herbicides	1,889	1,867	1	(1)
Non-selective herbicides	688	645	7	6
Fungicides	1,779	1,702	4	2
Insecticides	1,100	1,049	6	5
Professional products	807	720	10	9
Others	67	59	13	12
Total	6,330	6,042	5	3

Selective Herbicides: major brands CALLISTO® family, DUAL®/BICEP® MAGNUM, ENVOKE® FUSILADE® MAX, TOPIK®

Sales of selective herbicides increased by 1%, but were 1% lower at constant exchange rates due to lower volumes. The CALLISTO® range, with further successful launches in Europe, grew over 30% in the USA, despite an increase in the acres where genetically modified herbicide tolerant seed was planted, which reduced the selective herbicide market. CALLISTO® growth was offset by a decline in sales of older products such as DUAL®/BICEP® MAGNUM and atrazine. Sales of the cereal herbicide TOPIK® were lower due to weakness in Western Europe, but continued to grow in Eastern Europe.

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

Sales grew by 7%, 6% at constant exchange rates, largely due to higher volumes. TOUCHDOWN® sales volumes grew strongly in the USA, Argentina and Eastern Europe, driven by the launch of new brands and marketing

programs. GRAMOXONE® sales were lower in Southern Europe and in Brazil owing to drought conditions in the first half.

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

Fungicide sales grew strongly in North America, Eastern Europe and Asia and were 4% higher, 2% at constant exchange rates, driven by higher volumes. In the USA, the spread of the soybean rust fungal disease was less than earlier expectations and the market proved to be small in 2005, but AMISTAR®, Syngenta's largest fungicide product by sales, showed higher sales from stronger demand on nuts, vines, wheat and potatoes. Sales of the cereal fungicide ACANTO® grew strongly in France and SCORE® sales continued to expand in the emerging markets in Asia, notably China and Vietnam.

⁽¹⁾ Product line variances take into account minor reclassifications made in 2005.

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

Insecticide sales were 6% higher in 2005, 5% at constant exchange rates, with 4% due to volume growth and 1% higher local currency prices. Sales growth was driven by strong performances in the USA and Brazil. In the USA sales of KARATE® grew significantly due to an exceptional outbreak of soybean aphids. Sales of FORCE® were higher from increased acres treated for corn rootworm. ACTARA® sales continued to grow strongly in Brazil and Japan.

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

Professional Product sales were 10% higher in 2005, 9% at constant exchange rates, largely due to volume growth. Sales growth was driven by Seed Care, with CRUISER® growth continuing above 10%, with particular success on soybeans in the USA. Sales growth was also significant in Lawn & Garden markets, particularly on turf, where HERITAGE® sales were higher in the USA and Japan and growth rates were also strong in the developing Home Care sector.

Commentary on regional performance

Regional	Full Year		Growth Actual %	CER %
	2005 US\$ million	2004 US\$ million		
Europe, Africa and Middle East	2,283	2,256	1	(2)
NAFTA	2,081	1,873	11	10
Latin America	1,027	1,020	1	1
Asia Pacific	939	893	5	4
Total	6,330	6,042	5	3

Sales in **Europe, Africa and the Middle East** increased by 1% due to the weakness of the US dollar and, at constant exchange rates, were 2% lower due to reduced volumes, though with improvement in the fourth quarter. Sales in Europe were higher, with continuing growth above 10% in Eastern Europe offsetting weakness in Western Europe which was partly due to drought in the early part of the year. The decline in constant currency sales for the region overall reflected reduced tender sales in Africa and the Middle East due to increased generic competition.

In **NAFTA**, sales grew 11%, 10% at constant exchange rates, with 8% volume growth and 2% higher local currency prices. Sales of the CALLISTO® range again registered strong growth, with notable impact from the combination product LEXAR®. Insecticide sales also grew strongly, driven by KARATE® as noted above. Indications are that Syngenta gained market share in the USA, the world's largest agricultural market.

In **Latin America**, sales grew 1% in 2005 after very strong growth in 2004. Volumes were 2% higher but this was offset by a 1% US dollar price decline. The market in Brazil was impacted by the strength of the real, which reduced commodity crop competitiveness in the key export sector, and Syngenta's sales for the year were marginally lower despite a strong second half performance in insecticides and fungicides. ACTARA® market penetration continued, with sales growth over 30%. Sales in Argentina grew strongly, driven by TOUCHDOWN®.

Sales in **Asia Pacific** grew by 5%, partly due to the weakness of the US dollar against the South Korean Won. At constant exchange rates sales were 4% higher with 6% volume growth offset by a 2% decline in local currency prices. Growth across a number of markets, notably Japan, India, South Korea, Vietnam and China, more than offset weakness in Australia, where both volumes and prices were depressed.

Seeds

Sales were 45% higher, due in part to the weakness of the US dollar, and at constant exchange rates sales were up 42%, with volume growth of 33% from the 2004 acquisitions of Golden Harvest and Garst, 7% from other volume growth and 2% from local currency prices.

Product line	Full Year		Growth	
	2005	2004	Actual	CER
	US\$ million	US\$ million	%	%
Corn & Soybean	880	401	120	117
Diverse Field Crops	301	247	22	16
Vegetables	384	356	8	6
Flowers	232	235	(2)	(4)
Total	1,797	1,239	45	42

Field Crops (Corn & Soybean and Diverse Field Crops): major brands NK[®], GARST[®] and GOLDEN HARVEST[®] corn, and oilseeds, HILLESHÖG[®] sugar beet.

Corn & Soybean sales more than doubled from the successful integration of the 2004 acquisitions. Sales overall were 120% higher, 117% at constant exchange rates, with volume growth from the acquisitions approximately 97%, other volumes 18% higher and local currency prices 2% higher. GOLDEN HARVEST[®] and GARST[®] were successfully integrated and indications are that market share was maintained in the critical US market. Reported sales were further helped by the holding back of fourth quarter 2004 deliveries in the USA to align sales closer to grower consumption for the 2005 season.

In Diverse Field Crops, sales were 22% higher, 16% at constant exchange rates, with 5% volume growth from acquisitions, other volumes up 7% and local currency prices 4% higher. NK[®] sunflower sales were up strongly due to volume gains in Eastern Europe benefiting from increased demand for biodiesel. Sugarbeet sales also increased in Europe.

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

Vegetable sales for the year were 8% higher, 6% at constant exchange rates, with volumes 5% higher and average local currency prices 1% higher. After a slow start to the year due to poor weather in Europe, vegetables sales recovered strongly in the second half. Sales in the emerging markets of Latin America and Asia Pacific continued to expand rapidly. In fresh produce, sales of watermelon and cantaloupe again showed strong growth in the USA and initial launches took place in Europe.

Sales of S&G[®] flowers were 2% lower, 4% down at constant exchange rates, with local currency prices up 1% but volumes 5% lower in a weak market, though with some recovery in the second half of the year.

Commentary on regional performance

Regional	Full Year		Growth	
	2005 US\$ million	2004 US\$ million	Actual %	CER %
Europe, Africa and Middle East	699	641	9	4
NAFTA	903	437	107	106
Latin America	107	86	24	24
Asia Pacific	88	75	17	15
Total	1,797	1,239	45	42

Sales in **Europe, Africa and the Middle East** increased by 9%, helped by the weakness of the US dollar against the Euro in the first half, and at constant exchange rates were 4% higher, with both volumes and local currency prices up 2%. Sales growth was driven by Diverse Field Crops in Eastern Europe, which more than offset drought related weakness in Spain.

NAFTA sales growth of 107%, 106% at constant exchange rates, includes 89% volume growth from the 2004 acquisitions and 17% other volume growth. Local currency prices overall were flat. The other volume growth included strong sales performances in Corn & Soybean and in watermelon and cantaloupe sales within Vegetables.

Latin America sales were 24% higher in 2004, with volumes 15% higher and 9% higher US dollar sales prices. Growth was driven by strong performances in corn and vegetables.

In **Asia Pacific**, sales increased by 17%, 15% at constant exchange rates, with 13% from volume and 2% from local currency prices. Sales were strong in corn and vegetables, particularly in the emerging markets of India and Thailand.

Operating Income

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

Operating Income by Segment	Full Year		Growth
	2005	2004	Actual
	US\$ million	US\$ million	%
Crop Protection	996	713	40
Seeds	17	(20)	n/a
Plant Science	(153)	(152)	(1)
Inter-segment profit elimination	-	-	-
Total	860	541	59

Operating income increased by 59% to US\$860 million. Sales increased by 11%, including 2% from movements in exchange rates and 6% from the 2004 acquisitions. Gross profit margin reduced by 0.1% with higher margins in the Crop Protection business offset by lower margins in Seeds, largely due to the purchase accounting inventory step-up relating to the 2004 acquisitions and the higher weighting of lower margin Corn & Soybean following the 2004 acquisitions. Marketing and distribution costs increased by 10%, 9% when expressed at constant exchange rates, and included the full year impact of the acquisitions, which were completed in the second half of 2004. Research and development costs increased by 2%, but were only 1% higher at constant exchange rates. Increased research and development costs in Seeds due to the acquisitions and increased resource in trait development were offset by reduced research spend in Plant Science benefiting from the restructuring announced in 2004. General and administrative costs were 14% higher, with 6% from exchange rate movements largely due to US\$36 million lower hedging gains under the EBITDA (earnings before interest, tax, depreciation and amortization) hedging program which are reported within this cost category. At constant exchange rates, general and administrative costs were 8% higher. Ceasing amortization of goodwill after adoption of IFRS 3 reduced these costs by 9%, but this was offset by some increase in patent and other litigation expenses and also the costs of pro-actively managing the effects of the unintended release of Bt10 corn into commercial sale, including testing of corn export shipments from the USA. Restructuring and impairment costs excluding US\$24 million charged within Seeds cost of goods sold, reduced by US\$142 million to US\$212 million in 2005. These costs are described in more detail below.

Of the US\$319 million (59%) increase in operating income, lower restructuring and impairment costs accounted for US\$118 million including the Seeds inventory purchase accounting adjustment. Excluding these costs, operating income increased by 23%. Ceasing goodwill amortization, noted above, increased reported operating income by approximately US\$56 million. The weaker US dollar in the first half main selling season, combined with US dollar recovery in the second half reducing Swiss franc and British pound sterling based costs, increased operating income by approximately US\$48 million despite including lower hedging income from the EBITDA hedging program at US\$5 million, compared to US\$41 million in 2004. The EBITDA hedging program is designed to protect anticipated transactions from adverse movements in exchange rates, using options and forward contracts to reduce volatility in EBITDA. Operating income in 2005 included US\$15 million gains on disposal of non-current assets (2004: nil) and a non-recurring escrow refund of US\$11 million relating to a 1998 acquisition. These were offset by increased patent and other litigation expenses and, in addition, the costs relating to Bt10 corn noted above. Further analysis of operating income is provided below in the review of segmental performance.

Crop Protection Operating Income

(US\$ million, except growth %)	Total		Restructuring and impairment		Before Restructuring and impairment		% Actual	% CER
	2005	2004	2005	2004	2005	2004		
Sales	6,330	6,042	-	-	6,330	6,042	5	3
Cost of goods sold	(3,033)	(2,934)	-	-	(3,033)	(2,934)	(3)	(2)
Gross profit	3,297	3,108	-	-	3,297	3,108	6	4
<i>as a percentage of sales</i>	52%	51%			52%	51%		
Marketing and distribution	(1,106)	(1,040)	-	-	(1,106)	(1,040)	(6)	(5)
Research and development	(509)	(499)	-	-	(509)	(499)	(2)	(1)
General and administrative	(557)	(539)	-	-	(557)	(539)	(3)	3
Restructuring and impairment	(129)	(317)	(129)	(317)	-	-		
Operating income	996	713	(129)	(317)	1,125	1,030	9	6
<i>as a percentage of sales</i>	16%	12%			18%	17%		

Average local currency sales prices were flat in 2005, but volumes increased by 3%. Cost of goods sold were 3% higher, but only 2% higher at constant exchange rates despite being adversely impacted by an estimated US\$96 million due to the impact of higher oil and gas prices. Site and plant closures in the Operational Efficiency Program, and non-oil savings in raw material and intermediate purchase costs offset the impact of the higher oil prices. With higher volumes and improved capacity utilization, gross profit margins improved by around 0.6%, 0.3% at constant exchange rates.

Marketing and distribution costs were reported 6% higher, 5% at constant exchange rates. Higher volumes increased distribution costs and the stronger Brazilian real increased costs in Latin America and, by making export crops less competitive, also triggered some increased provision for doubtful receivables. Research and development costs increased by 2% but at constant exchange rates were 1% higher, with research costs marginally lower following the site rationalization announced in 2004 and some increase in development spend on growth opportunities in Professional Products and to accelerate new active ingredients to market. General and administrative costs were 3% higher, but 3% down at constant exchange rates when the lower EBITDA hedging income is excluded. Ceasing goodwill amortization reduced these costs by around 9%, but this was partly offset by the impact of the stronger real on costs in Latin America and some increase in litigation costs.

Restructuring and impairment is defined in Note 7 to the consolidated financial statements. In 2005 and 2004 these costs largely relate to the Operational Efficiency Program initiated in February 2004. These costs are described in more detail below.

Operating income was 40% higher at US\$996 million, with US\$188 million from lower restructuring and impairment charges. Excluding the lower restructuring and impairment, operating income was 9% higher.

The US dollar was weak in the important first half sales season, increasing reported sales and was stronger in the second half, reducing reported costs from the Swiss franc and British pound sterling cost base, so despite lower hedging income, the net effect of exchange rate movements increased operating income by an estimated US\$32 million.

Seeds Operating Income

(US\$ million, except growth %)	Total		Restructuring and impairment		Before Restructuring and impairment		% Growth Actual	% Growth CER
	2005	2004	2005	2004	2005	2004		
Sales	1,797	1,239	-	-	1,797	1,239	45	42
Cost of goods sold	(940)	(610)	(24)	-	(916)	(610)	(50)	(48)
Gross profit	857	629	(24)	-	881	629	40	37
<i>as a percentage of sales</i>	48%	51%			49%	51%		
Marketing and distribution	(408)	(339)	-	-	(408)	(339)	(20)	(19)
Research and development	(213)	(186)	-	-	(213)	(186)	(15)	(14)
General and administrative	(169)	(99)	-	-	(169)	(99)	(71)	(67)
Restructuring and impairment	(50)	(25)	(50)	(25)	-	-		
Operating income	17	(20)	(74)	(25)	91	5	n/a	n/a
<i>as a percentage of sales</i>	1%	(2%)			5%	-		

Sales were significantly increased by the acquisitions of Golden Harvest and Garst completed in 2004, which had their first significant impact on sales in 2005. Local currency prices were overall 2% higher but margins declined by approximately 3% due to the US\$24 million reversal of the purchase accounting inventory step-up and higher weighting of lower margin Corn & Soybean following the 2004 acquisitions and some price pressure in fresh produce in the USA. Marketing and distribution costs were reported 20% higher, 19% higher at constant exchange rates, largely due to the acquisitions which were completed in the second half of 2004. Research and development costs increased by 15%, 14% at constant exchange rates, again largely due to the acquisitions but also with some increased spend on new trait development. General and administrative costs were 71% higher, 67% when expressed at constant exchange rates, with approximately 16% due to the costs in the acquired companies but including, in addition, increased litigation costs, largely related to patents, and also the costs arising from the unintended release of Bt10 corn into commercial sale, which Syngenta managed pro-actively. Syngenta introduced testing of export corn shipments from the US for the period when Bt10 contaminated corn may be in the corn supply channels. Restructuring and impairment in addition to the purchase accounting adjustment noted above, included US\$38 million costs of integrating the 2004 acquisitions and eliminating duplicated administration and facilities. Restructuring and impairment also included costs from the Operational Efficiency Program from the outsourcing of certain back-office activities and the write-off of inventories related to exiting unprofitable crops and markets.

Weakness in the US dollar in the first half contributed an additional US\$15 million to Seeds operating income in 2005 relative to 2004.

Plant Science Operating Income

(US\$ million, except growth %)	Total		Restructuring and impairment		Before Restructuring and impairment		% Growth Actual	% Growth CER
	2005	2004	2005	2004	2005	2004		
Sales	-	-	-	-	-	-		
Cost of goods sold	-	-	-	-	-	-		
Gross profit	-	-	-	-	-	-		
<i>as a percentage of sales</i>	-	-	-	-	-	-		
Marketing and distribution	(4)	(3)	-	-	(4)	(3)	(33)	(33)
Research and development	(100)	(124)	-	-	(100)	(124)	19	20
General and administrative	(16)	(13)	-	-	(16)	(13)	(23)	(34)
Restructuring and impairment	(33)	(12)	(33)	(12)	-	-		
Operating income/(loss)	(153)	(152)	(33)	(12)	(120)	(140)	14	14
<i>as a percentage of sales</i>	-	-	-	-	-	-		

Small sales of the QUANTUM® enzyme were made in Mexico, with registration pending in the USA. Research and technology spending was 19% lower, 20% at constant exchange rates, following the restructuring of the research sites initiated in 2004, which included focusing biotechnology activities at the Research Triangle Park facility in North Carolina. Higher general and administrative costs largely related to the costs of increased scouting for acquisition targets.

Work on plant-produced pharmaceutical compounds progressed in 2005 to the stage of clinical trials. However, in view of the extended time lines and associated costs of full commercialization, Syngenta decided at the end of 2005 to seek third parties to take these projects through development to commercial launch. Restructuring and impairment costs included charges for this exit. In addition, the market value of shares held in Diversa Corporation fell significantly below cost and an impairment of approximately US\$17 million was recognized. In 2004 the restructuring charge of US\$12 million related to the rationalization of the research sites under which biotechnology research was concentrated in the USA, as noted above.

Defined Benefit Pensions

Defined benefit pension costs decreased from US\$221 million in 2004 (including US\$95 million of restructuring costs) to US\$125 million in 2005 (including US\$20 million of restructuring costs). The restructuring costs in 2004 included the one-off transition costs of moving to a new scheme in Switzerland that, whilst continuing to be accounted for as a defined benefit scheme, has several of the characteristics of a defined contribution scheme, which in particular reduces the costs associated with early retirement. Excluding the costs associated with restructuring, defined benefit costs reduced by US\$21 million in 2005 compared to 2004. This was mainly due to a favorable currency translation effect of US\$10 million on costs of plans outside the USA due to the stronger US dollar, and to a non-recurring gain of US\$10 million caused by the change in the rules of Syngenta's Dutch pension plan. The underlying level of defined benefit cost remained similar to that in 2004.

During 2005, as in 2004, actual investment returns exceeded the long-term assumed rate of return. Employer contributions to defined benefit schemes, excluding contributions related to restructuring, increased from US\$144 million in 2004 to US\$487 million in 2005. This included US\$350 million of special lump sum contributions in respect of Syngenta's UK and US pension funds, which were in addition to the recurring contributions (US\$85 million for these two funds) also made in 2005. These special contributions were voluntary and Syngenta decided to make the special contributions in 2005 in order to improve the funded status of these two funds.

Restructuring and Impairment

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

For the year to 31 December	2005		2004	
	US\$ million	US\$ million	US\$ million	US\$ million
Reversal of inventory step-up (in cost of goods sold)		(24)		
Restructuring costs				
Write-off or impairment				
- property, plant and equipment	(22)		(132)	
- intangible assets	-		(1)	
- other assets	(8)		(1)	
Non-cash pension restructuring charges	-		(50)	
Total non-cash restructuring charges		(30)		(184)
Cash costs				
- operation efficiency	(125)		(136)	

- seeds integration	(38)	(16)
- merger synergy program and other cash costs	-	(19)
Impairment of financial assets	(19)	-
Gains from product disposals	-	1
Total restructuring and impairment charge	(236)	(354)

In 2005, as part of the Operational Efficiency Program, the closure of two Crop Protection production sites and partial closure of another were announced. In total, cash costs of US\$125 million, inventory write-offs of US\$3 million and impairments of property, plant and equipment of US\$22 million have been triggered by operational efficiency initiatives in 2005. The Seeds

NAFTA Corn and Soybean business continued its restructuring program to integrate the Golden Harvest and Garst acquisitions, recording cash costs of US\$38 million in 2005.

Purchase accounting rules require the book value of acquired finished goods inventories to be stepped up to fair value less costs to sell, with a corresponding reduction in goodwill. The stepped-up amount is expensed as the acquired inventories are sold. This adjustment does not affect cash flows, and inventories produced after the acquisition date are valued at their production cost. US\$24 million of the US\$31 million inventory step-up arising from the Golden Harvest and Garst acquisition accounting was charged to cost of goods sold in 2005.

The US\$19 million financial asset impairment largely reflected the significant fall in the share price of Diversa Corporation, which as at December 31, 2005, was below the original cost of the shareholding.

In 2004, restructuring and impairment related mainly to the Operational Efficiency program announced in that year. The closure of three Crop Protection production sites were announced together with the rationalization of two further sites. A further focusing of research activities, including the closure of one site, was also announced.

The Seeds NAFTA Corn & Soybean business, within Field Crops, initiated a restructuring program to integrate the Garst and Golden Harvest acquisitions. In addition, the final costs of the merger and integration program announced at the formation of Syngenta in November 2000, largely associated with the closure of two crop protection production sites, were also charged in 2004.

Cash costs of US\$171 million and asset impairments of US\$134 million were recorded in 2004 for these restructuring initiatives. In addition, as part of the Operational Efficiency Program, the rules of Syngenta's Swiss pension fund were amended in April 2004, so that whilst it continues to be accounted for as a defined benefit plan, there is increased sharing of risks with the employee members against a one-time non-cash transition charge of US\$60 million. This change will reduce the expense related to early retirement in future years and reduces Syngenta's exposure to pension fund investment returns. This charge was partially offset by a US\$10 million favorable non-cash impact of pension fund curtailments associated with restructuring.

Financial Expense, net

Interest expense net of interest income increased from US\$42 million in 2004 to US\$66 million in 2005 largely due to premium costs incurred in the partial tender to repurchase Syngenta's €800 million 2006 Eurobond in April 2005. The additional premium paid, offset by gains on the termination of associated hedges, was US\$16 million. Average working capital levels were higher in 2005 than 2004 due to selective increases in trade credit and this, combined with rising short term interest rates, also increased net interest expense. Net currency hedging costs were US\$4 million higher than 2004 due in part to the timing of amortization of option premia for the EBITDA hedging program. The net result of currency gains and losses from balance sheet exposures and related hedging program was a small gain at a similar level to 2004.

Taxes

The overall tax rate in 2005 was 18% compared to negative 15%, with profits after tax higher than profit before tax, in 2004. The tax rate on net restructuring and impairment costs of 33% was lower than the 38% of 2004, and future rates will be very dependent on the nature of restructuring charges and may vary significantly. The tax charge in 2004 included a tax credit of US\$139 million from the recognition of relief on tax losses following corporate restructuring. Whilst Syngenta continues efforts to utilize tax losses carried forward to reduce the tax charge, including US\$12 million in 2005 as shown in Note 8 to the consolidated financial statements, the recognition in 2004 was unusually large.

Net Income and Other Supplementary Income Data

Net income in 2005 was US\$626 million, with US\$622 million attributable to shareholders of Syngenta AG, compared to US\$428 million in 2004, with US\$460 million attributable to shareholders of Syngenta AG. Syngenta adopted IFRS 3 in 2005 and ceased the amortization of goodwill. Goodwill amortization charged in 2004 was US\$56 million. In addition, 2004 net income attributable to Syngenta AG included a loss on discontinued activities of US\$83 million related to the disposal of Syngenta's 75% interest in SF Chem AG. Restructuring and impairment costs were higher in 2004 at US\$354 million compared to US\$212 million in 2005 as described above. After related taxation, restructuring and impairment costs were US\$157 million in 2005 compared to US\$219 million in 2004. As noted above, tax costs in 2004 were net of approximately US\$139 million recognition of relief on tax losses after corporate restructuring.

Foreign Operations and Foreign Currency Transactions

Syngenta's subsidiaries use their local currency as their functional currency for accounting purposes except where the use of a different currency more fairly reflects their actual circumstances.

The Argentine peso is the functional currency of Syngenta's subsidiaries in Argentina. In February 2002, the government in Argentina announced several reforms intended to stabilize the economic environment. These included redenominating all

outstanding receivables denominated in US dollars into Argentine pesos. This affected Syngenta's currency exposure profile. In response, Syngenta applied additional credit restrictions and altered local financing arrangements to reduce further its exposure to peso currency risk. Future exchange rates for the peso and future government actions remain uncertain and Syngenta is not able to estimate their effects.

The Brazilian real is the functional currency of Syngenta's subsidiaries in Brazil. During 2002 the Brazilian real devalued significantly against the US dollar whereas between 2003 and 2006 it significantly appreciated in value. To reduce its exposure to risks associated with the real, Syngenta has altered local financing arrangements, applied credit restrictions to customers, implemented programs to protect the US dollar value of trade receivables from customers and has fully hedged its balance sheet exposure using currency derivatives. Sales to customers in Brazil must be invoiced in Brazilian real to meet local legal requirements. The extent to which sales prices in Brazilian real can be increased to offset the effect of any future devaluation remains uncertain. Appreciation of the Brazilian real results in customers who sell their produce in US dollars receiving lower amounts of Brazilian reals, which may adversely impact Syngenta's discounts and allowances or its ability to collect receivables in full. Syngenta is not able to estimate the effect of any future depreciation or appreciation of the Brazilian real on operating income in future periods.

Liquidity and Capital Resources

Syngenta's principal sources of liquidity consist of cash generated from operations. In the period 2004 to 2006, this has been more than sufficient to cover cash used for investment activities and, except for any significant business acquisitions, this is also expected to be the case in 2007. Working capital fluctuations are supported by short term funding available through Commercial Paper and credit facilities. Longer term capital resources include unsecured non current bonds issued under the Euro Medium Term Note (EMTN) program and unsecured non current Notes issued under a Note Purchase Agreement in the US Private Placement market. Syngenta reported cash and cash equivalents on December 31, 2006, 2005 and 2004 of US\$445 million, US\$458 million and US\$227 million respectively. At December 31, 2006, 2005 and 2004, Syngenta had current financial debts of US\$143 million, US\$514 million and US\$423 million respectively, and non-current financial debts of US\$1,569 million, US\$847 million and US\$1,117 million, respectively.

Capital markets and credit facilities

Funds for Syngenta's working capital needs were available during the year from its US\$2,500 million Global Commercial Paper program supported by a US\$1,200 million committed, revolving, multi-currency, syndicated credit facility. Syngenta entered into its Global Commercial Paper program on December 15, 2000 and as at December 31, 2006, Syngenta had no Commercial Paper in issue. The US\$1,200 million syndicated credit facility (the "Credit Facility") was signed in July 2006 and will mature in July 2013. This Credit Facility replaces the US\$1,500 million Credit Facility signed in August 2004. During 2006, no amounts were drawn and as of December 31, 2006 Syngenta had no borrowings under the Credit Facility. There are no material restrictions on dividends from subsidiaries under this facility.

On April 22, 2005 Syngenta executed a public tender offer for its outstanding €800 million 5 year Eurobonds maturing in 2006. €581 million of the outstanding bonds were repurchased. The remaining nominal value outstanding of €219 million was repaid on July 10, 2006. On September 21, 2006, Syngenta issued a new €500 million Eurobond with a maturity of September 21, 2011 and a coupon rate of 4.125%. At issue these liabilities had a value of US\$636 million. At the same time a new designated hedging portfolio was set up.

The table below summarizes Syngenta's unsecured notes in issuance at December 31, 2006.

Fair Value	Carrying	Value at issue
US\$ million	amount	US\$ million

		US\$ million	
4.125% Eurobond 2011	651	657	636
4.125% Eurobond 2015	640	646	641
5.110% US private placement 2020	71	78	75
5.350% US private placement 2025	71	75	75
5.590% US private placement 2035			