

SYNGENTA AG
Form 20-F
February 18, 2009

As filed with the Securities and Exchange Commission on February 18, 2009

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, 2008
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)

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Syngenta International AG
P.O. Box
CH-4002 Basel, Switzerland
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class:
American Depositary Shares, each representing
one-fifth of a common share of Syngenta AG,
nominal value CHF 0.10

Name of each exchange on which registered:
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

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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.

96,914,857 Common shares, nominal value CHF 0.10 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.

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 basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued x Other
by the International Accounting Standards Board

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 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;
- the risk that the current global financial crisis may have a material adverse effect on our results and financial position;
 - the risk that customers will be unable to pay their debts to Syngenta due to economic conditions;
- the risk that Syngenta will not be able to obtain or maintain the necessary regulatory approvals for its 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 that the value of Syngenta's intangible assets may become impaired;
- 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 Syngenta's crop protection business may be adversely affected by increased use of products derived from biotechnology;

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- the risks associated with climatic variations;
- 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;
 - the risks associated with an earthquake occurring in a key site;
- the risks that we now consider immaterial, but that in the future prove to become material; and
- other risks and uncertainties that are not known to us or are difficult to predict.

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

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PART I

ITEM 1 — IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2 — OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3 — KEY INFORMATION

Financial Highlights

Syngenta has prepared the consolidated financial statements in US dollars and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). 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 in Item 18.

The selected financial highlights presented on the following page has been extracted from the consolidated financial statements of Syngenta that were prepared in accordance with IFRS. Investors should read the entire consolidated financial statements and not rely on the summarized information. The information includes the results of operations and the net assets of Emergent Genetics Vegetable A/S from June 1, 2006, Conrad Fafard, Inc. from August 1, 2006, Fischer group of companies from July 1, 2007, Zeraim Gedera Ltd. from September 1, 2007, SPS Argentina SA from November 2008, Goldsmith Seeds, Inc. from November 19, 2008 and the pot and garden chrysanthemum and aster business of US flowers producer Yoder Brothers Inc. from December 12, 2008. For further information about these and other acquisitions, see Note 3 to the consolidated financial statements in Item 18.

Selected Financial Data

Year ended December 31,

(US\$ million, except where otherwise stated)

Amounts in accordance with IFRS(1)

Income statement data:

	2008	2007	2006	2005	2004
Sales	11,624	9,240	8,046	8,104	7,269
Cost of goods sold	(5,713)	(4,669)	(3,982)	(3,950)	(3,532)
Gross profit	5,911	4,571	4,064	4,154	3,737
Operating expenses	(4,053)	(3,107)	(3,235)	(3,294)	(3,196)
Operating income	1,858	1,464	829	860	541
Income before taxes	1,692	1,419	798	766	466
Profit for the period from continuing operations	1,385	1,111	637	626	536
Profit for the period attributable to Syngenta AG shareholders	1,385	1,109	634	622	460
Number of shares– basic	93,916,415	95,973,958	98,165,298	100,017,271	105,208,929
Number of shares– diluted	94,696,762	97,143,368	99,876,180	101,464,222	106,015,369
Basic earnings/(loss) per share:					
From continuing operations	14.75	11.56	6.46	6.22	5.16
From discontinued operations	–	–	–	–	(0.79)
Total	14.75	11.56	6.46	6.22	4.37
Diluted earnings/(loss) per share:					
From continuing operations	14.63	11.42	6.35	6.13	5.12
From discontinued operations	–	–	–	–	(0.78)
Total	14.63	11.42	6.35	6.13	4.34
Cash dividends declared – CHF per share	4.80	1.60	–	–	–
– US\$ per share equivalent	4.76	1.32	–	–	–
Par value reduction – CHF per share	–	2.20	3.30	2.70	1.70
– US\$ per share equivalent	–	1.78	2.68	2.10	1.35
Cash flow data from continuing operations:					
Cash flow from operating activities	1,466	1,168	928	497	1,309
Cash flow used for investing activities	(608)	(368)	(411)	(144)	(686)
Cash flow used for financing activities	(457)	(781)	(541)	(74)	(679)
Capital expenditure on tangible fixed assets	(444)	(317)	(217)	(174)	(166)
Balance sheet data:					
Current assets less current liabilities(3)	3,386	2,606	2,598	1,789	1,757
Total assets	14,584	13,280	11,852	11,404	11,786

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Total non-current liabilities ⁽³⁾	(4,449)	(3,361)	(3,220)	(2,553)	(2,908)
Total liabilities	(8,683)	(7,239)	(6,158)	(5,973)	(6,108)
Share capital	6	6	142	353	525
Total shareholders' equity	5,884	6,022	5,666	5,403	5,658
Other supplementary income data:					
Diluted earnings per share from continuing operations, excluding restructuring and impairment ⁽²⁾	16.26	11.45	8.73	7.67	7.19

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Notes

- (1) Syngenta has prepared the consolidated financial statements in US dollars and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 in Item 18.

- (2) Diluted earnings per share from continuing operations, excluding restructuring and impairment, is a non-GAAP measure. A non-GAAP measure is a numerical measure of financial performance, financial position or cash flow that either:

includes, or is subject to adjustments that have the effect of including, amounts that are excluded in the most directly comparable measure calculated and presented under IFRS as issued by the IASB, or

excludes, or is subject to adjustments that have the effect of excluding, amounts that are included in the most directly comparable measure calculated and presented under IFRS as issued by the IASB.

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. 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. Further discussion on the reason for including disclosure of this and other non-GAAP measures is included in Appendix A at the end of the Operating and Financial Review and Prospects.

Restructuring and impairment charges for 2008, 2007 and 2006 are analyzed in Note 6 to the consolidated financial statements in Item 18. Restructuring and impairment for 2005 and 2004 mainly related to the Operational Efficiency program announced in 2004 representing the costs of closure of certain manufacturing and research and development sites and refocusing of other continuing sites. A detailed reconciliation of profit for the period and earnings per share before restructuring and impairment to profit for the period and earnings per share according to IFRS is presented in Appendix A at the end of the Operating and Financial Review and Prospects.

- (3) "Current assets less current liabilities" and "Total non-current liabilities" amounts for 2004 through 2007 have been affected by the reclassifications described in footnote (1) to the consolidated balance sheet included in the consolidated financial statements in Item 18. As a result, "Current assets less current liabilities" increased/(decreased) from the amounts previously reported as follows: 2007, US\$139 million decrease; 2006, US\$20 million increase; 2005, US\$42 million increase; and 2004, US\$428 million decrease, and "Total non-current liabilities" increased from the amounts previously reported as follows: 2007, US\$47 million; 2006, US\$30 million; 2005, US\$45 million; and 2004, US\$24 million.

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.

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

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 programs 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.

The Current Global Financial Crisis May Have a Material Adverse Effect on Our Results and Financial Position