

# **ANNUAL REPORT**

SYNGENTA FINANCE N.V.

AMSTERDAM

on the financial statements 31 December 2018

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## DIRECTORS' REPORT

### General information

Syngenta Finance N.V. (hereafter the "Company") was incorporated on 20 March 2007. Its principal activities are to borrow, lend and raise funds in order to finance Syngenta group companies. All raised funds are on-lent to the sole shareholder Syngenta Treasury N.V. The Company's ultimate holding company is China National Chemical Corporation, Beijing, People's Republic of China.

The Company and Syngenta Finance AG of Switzerland are issuers under the Syngenta Euro Medium Term Note Programme (the "EMTN Programme"), for which the Base Prospectus was dated 6 April 2018. Syngenta AG of Switzerland, the intermediate holding company, guarantees, as applicable, the payment of all amounts due in respect of the Notes issued under the EMTN Programme. The maximum aggregate nominal amount of all notes that may from time to time be outstanding under the EMTN Programme is USD 7,500,000,000 (2017: USD 5,000,000,000). Risks associated with the Notes are disclosed in the Base Prospectus, which is available at the website [www.bourse.lu](http://www.bourse.lu) or [www.syngenta.com](http://www.syngenta.com)

Notes issued by the Company under the EMTN Programme are admitted to the official list of the Luxembourg Stock Exchange and to trading on the regulated market of the Luxembourg Stock Exchange.

The Company is an issuer of Notes under the US Shelf programme, for which the Initial Prospectus was dated 16 November 2011 and the Supplementary Prospectus was dated 21 March 2012. Syngenta AG guarantees the payment of all amounts due in respect of the Notes issued under the US Shelf Program. Risks associated with the Notes are disclosed in the Initial and Supplementary Prospectus, that are available at the website [www.sec.gov](http://www.sec.gov).

Notes issued by the Company under the US Shelf Programme were deregistered from the SEC with effective date 19 April 2018.

In April 2018 the Company issued Senior Unsecured Notes under 144A / Reg S (without registration rights) in the amount of USD 4,750,000,000. These notes are admitted to the official list of the Luxembourg Stock Exchange and to trading on the regulated market of the Luxembourg Stock Exchange. Syngenta AG guarantees the payment of all amounts due in respect to the 144A / Reg S Notes.

The financing activities are fully dependent on developments and funding needs within the Syngenta group. No substantial change of activities is foreseen.

### Financial information

The financial income of the Company amounted to USD 246,117,000 (2017: USD 73,528,000). The interest expenses of the Company increased from USD 72,401,000 in 2017 to USD 244,518,000 in 2018. The increase of the financial income and interest expenses was mainly caused by the bonds issued in April 2018 and the increased utilization of the committed, revolving, multi-currency syndicated credit facility in 2018. All raised funds are lent on a back-to-back basis to the sole shareholder Syngenta Treasury N.V. with mirroring conditions.

The net profit of the Company increased to USD 1,318,000 (2017: USD 891,000) due to higher on-lent funds to the sole shareholder Syngenta Treasury N.V. The Company does not account for income taxes, as these are recognised in the financial statements of the head of the fiscal unity, being Syngenta Treasury N.V.

During the year 2018, the following major transactions have been conducted:

- In April the Company issued a USD 4,750,000,000 6-tranche 144A / Reg S bond with maturity dates from 24 April 2020 till 24 April 2048 and coupons from 3.698% to 5.676%.

All raised funds are lent on a back-to-back basis to the sole shareholder Syngenta Treasury N.V.

The nature of Company's business exposes it to a range of financial and non-financial risks. These risks include (i) market risks – specifically foreign exchange and interest rate, (ii) counterparty credit risk, (iii) liquidity and refinancing risk, and (iv) operational risks, such as litigation.

The management of the financial risks is covered by participating in global, integrated risk management processes of the Syngenta Group. Within Syngenta Group, a financial risk management framework is in place in the form of a Treasury policy, approved by the Managing Board. This policy provides guidance over all Treasury and finance related matters, is underpinned by delegated authority guidelines and is additionally supported by detailed procedures.

In accordance with its Treasury policy, the Company actively monitors and manages financial risks as follows:

- Market risks: Although the Company's interest income and profitability are exposed to fluctuations in foreign currency and interest rates, it has transferred the vast majority of foreign currency and interest rate risk on to Syngenta Treasury N.V. by means of conditions mirroring its liabilities, leaving a negligible market risk exposure at the Company level.
- Counterparty credit risk: The Company's transactions within Syngenta Group (with its sole shareholder Syngenta Treasury N.V.) expose it to a significant concentration of credit risk. All the Company's financial liabilities from transactions with third parties on the money markets, credit and capital markets are guaranteed by Syngenta AG. The current credit rating of Syngenta AG by Moody's is Ba2/Not Prime, by S&P's BBB-/A-3 and Fitch BBB/F3.
- Liquidity and refinancing risk are managed by the following instruments:
  - In the first place, the operating cash inflows generated from the other members of the Syngenta Group (through the sole shareholder Syngenta Treasury N.V.) that are applied to pay the financial liabilities of the Company, are considered sufficient to cover the financial obligations of the Company. This is evidenced by the current ratio of 1.01 (2017: 1.01) and the debt ratio 0.999 (2017: 0.996).
  - Syngenta AG has fully and unconditionally guaranteed on a senior unsecured basis the due and punctual payment of the principal of and any premium and interest on the debt securities issued by the Company.

- The Company together with Syngenta Wilmington Inc. has access to a USD 2,500,000,000 Global Commercial Paper program guaranteed by Syngenta AG. Commercial Paper issues are backed by a USD 3,000,000,000 committed, revolving, multi-currency syndicated credit facility. As at 31 December 2018, an amount of USD 0 (2017: USD 225,000,000) was issued under the global commercial paper program by the Syngenta group via Syngenta Wilmington Inc. and an amount of EUR 70,000,000 (2017: EUR 206,800,000) via the Company.
- The amount of the committed, revolving, multi-currency syndicated credit facility is USD 3,000,000,000 (2017: USD 3,000,000,000). With effect from 12 April 2018 the Company resigned as a guarantor and became only a borrower. The contractual expiry of the committed, revolving, multi-currency syndicated credit facility date is in 2023 with a one year extension option. At 31 December 2018 USD 150,000,000 (2017: USD 200,000,000) was drawn under this facility by the Company.
- The Company's interest rates, duration and terms of financial assets and liabilities as well as their currency are generally matching, therefore leading to a reduced market and liquidity risk.

Furthermore, the Company is exposed to operational risks, such as transaction processing, legal, compliance, litigation and security. Additional information about policies and risks regarding financial instruments is described in note 14 of the financial statements.

#### **Change functional currency**

As per 01 May 2018 the functional currency of the Company has been changed from EUR to USD. Reason for this changes is the issue of unsecured notes in the amount of USD 4,750,000,000. After this issue approximately 85% of the balance of the Company is USD denominated and 15% EUR denominated. The functional EUR currency is no longer the most obvious currency to be used. As the presentation currency of the Company is already in USD, the changes in the annual report are not material.

#### **Proposed appropriation of the profit for 2018**

At the general meeting of shareholders it will be proposed to add the profit of 2018 to retained earnings.

#### **Personnel**

There is one employee in the service of the Company. In addition, the Company is being supported by various employees on the payroll of other Dutch based Syngenta companies.

#### **Research and Development**

The Company does not perform research and development activities.

#### **Subsequent events**

There have been no material subsequent events after balance sheet date.

**Prospects for 2019**

The Company will continue its activities for financing Syngenta group companies. The level of investments during 2019 is fully dependent on developments within the Syngenta Group.

Enkhuizen, 20 March 2019

The Managing Board:

J.D. Halliwell

D. Hueting

T.J.A. Meili

R.C. Peletier

R.M. Röthlisberger

L.W.F. Veldhuizen

**BALANCE SHEET AS AT 31 DECEMBER 2018**

before appropriation of profit

	Note	2018	2017
(in thousands of USD)			
<b>Fixed assets</b>			
Financial fixed assets	2	<u>6,721,176</u>	<u>2,041,076</u>
		6,721,176	2,041,076
<b>Current assets</b>			
Receivables	3	291,315	467,768
Cash at bank	4	<u>134</u>	<u>472</u>
		291,449	468,240
<b>Total assets</b>		<u><u>7,012,625</u></u>	<u><u>2,509,316</u></u>

	Note	2018	2017
(in thousands of USD)			
<b>Shareholder's equity</b>	5		
Paid-up and called-up share capital		52	54
Currency translation reserve		10	(708)
Retained earnings		8,669	8,939
Profit for the year		<u>1,318</u>	<u>891</u>
		10,049	9,176
<b>Long-term liabilities</b>	6	6,715,146	2,036,524
<b>Current liabilities</b>	7	287,430	463,616
<b>Total shareholder's equity and liabilities</b>		<u><u>7,012,625</u></u>	<u><u>2,509,316</u></u>

**PROFIT AND LOSS ACCOUNT 2018**

	Note	2018	2017
(in thousands of USD)			
Financial income		246,117	73,528
Financial expense		<u>(244,518)</u>	<u>(72,401)</u>
<b>Net financial income (expense)</b>	8	1,599	1,127
<b>Operating expenses</b>	9	<u>(281)</u>	<u>(236)</u>
<b>Profit before taxation</b>		1,318	891
Income taxes	10	-	-
<b>Net profit</b>		<u><u>1,318</u></u>	<u><u>891</u></u>



## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

#### General

Syngenta Finance N.V. (hereafter “the Company”) is a public limited liability company incorporated on 20 March 2007. The registration number at the Chamber of Commerce is 37131823. The Company has its registered office at Westeinde 62, 1601 BK, Enkhuizen, the Netherlands. Its statutory seat is in Amsterdam.

The objects of the Company are to participate in, take an interest in any other way in and conduct the management of other business enterprises of whatever nature, to borrow, lend and raise funds, amongst other by issuing bonds, promissory notes and other financial instruments and evidence of indebtedness as well as to enter into agreements, of any kind whatsoever in connection with such financing activities, to finance group companies and third parties and in any way to provide security or undertake the obligations of group companies and third parties, to invest in securities of any kind whatsoever to enter into foreign exchange transactions of any kind whatsoever as well as any kind of commodity and derivative transactions with group companies as well as with other parties and finally all activities which are incidental or may be conducive to any of the foregoing.

Syngenta Treasury N.V. is the direct shareholder of the Company. The Company's ultimate holding company is China National Chemical Corporation, Beijing, People's Republic of China. All raised funds are lent on a back-to-back basis to the sole shareholder Syngenta Treasury N.V.

The bonds of the Company are admitted to trading in Luxembourg and the US. Luxembourg is an EU regulated market, therefore the Company is an Organization of Public Interest (Organisatie van Openbaar Belang, OOB). The Netherlands is the home member state of the Company.

#### Basis of preparation

The Company's financial statements have been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code. These financial statements have been prepared on the basis of the going concern assumption.

#### Foreign currency translation

As per 01 May 2018 the functional currency of the Company has been changed from Euro (“EUR”) to United States Dollar (“USD”). Reason for this changes is the issue of unsecured notes in the amount of USD 4,750,000,000. After this issue approximately 85% of the balance of the Company is USD denominated and 15% EUR denominated. The functional EUR currency is no longer the most obvious currency to be used. As the presentation currency of the Company is already in USD, the changes in the annual report are not material.

Monetary balance sheet items denominated in foreign currencies are translated to the functional currency at the exchange rates prevailing at the balance sheet date. Non-monetary balance sheet items that are measured at historical cost in a foreign currency are translated at the exchange rates prevailing at the date

of transaction. Non-monetary balance sheet items that are measured at current value are translated at the exchange rates prevailing at the date of valuation. Exchange differences arising on the settlement or translation of monetary items denominated in foreign currencies are taken to the profit and loss account. Exchange differences arising on the translation of non-monetary items in foreign currencies are taken directly to the foreign currency translation reserve. The foreign currency translation reserve is included under the legal reserves.

The year-end rate used for balance sheet items for 2018 is EUR 1 to USD 1.1450.

The year-end rate used for balance sheet items for 2017 is EUR 1 to USD 1.1980.

## **Estimates**

The preparation of the financial statements requires the use of estimates. It also requires management to exercise judgement in applying the Company's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed periodically. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgements, including the related assumptions, is disclosed in the notes to the financial statement items in question.

The financial fixed assets in note 2 and receivables in note 3 are to the opinion of the management of the Company the most critical for the purpose of presenting the financial position and require estimates and assumptions.

## **Balance sheet**

### Financial instruments

These financial statements contain the following financial instruments: loans granted to group companies, other receivables, cash, loans obtained from third parties and other liabilities. Financial instruments are recognised in the balance sheet when the contractual rights or obligations in respect of that instrument arise. A financial instrument is no longer recognised in the balance sheet when there is a transaction that results in a transfer to a third party of all or substantially all of the rights to economic benefits and all or substantially all of the risks related to the position.

### Financial fixed assets

Financial fixed assets represent loans granted to the sole shareholder Syngenta Treasury N.V. and initial measurement is at fair value plus transaction costs. After initial measurement, financial fixed assets are carried at amortised cost based on the effective interest rate method less impairment (if applicable).

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably. An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. A previously recognised impairment loss is reversed if the decrease of the impairment can be related objectively to an event occurring after the impairment was recognised. The reversal is limited to at most the amount required to measure the asset at

its original amortised cost at the date of reversal had the impairment not been recognised. Impairment losses and reversals thereof are recognised in the profit and loss account. Interest on assets that are subject to impairment, continues to be recognised by unwinding the discount on the assets.

#### Receivables

Receivables represent loans receivable from Syngenta group companies with a maturity of less than one year and other receivables. Upon initial recognition, receivables are carried at fair value plus transaction costs and subsequently measured at amortized cost based on the effective interest rate method less impairments, if applicable.

#### Impairment of financial assets

A financial asset that is not stated at (1) fair value with value changes reflected in the profit and loss account, or at (2) amortised cost or lower market value, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, indications that a debtor or issuer is approaching bankruptcy, or the disappearance of an active market for a security.

The entity considers evidence of impairment for financial assets measured at amortised cost (loan and receivables and financial assets that are held to maturity) both individually and on a portfolio basis. All individually significant assets are assessed individually for impairment. Those individually significant assets found not to be individually impaired and assets that are not individually significant are then collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of collections and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset stated at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in the profit and loss account and reflected in an allowance account against loans and receivables or investment securities held to maturity. Interest on the impaired asset continues to be recognised by using the asset's original effective interest rate.

When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss (up to the amount of the original cost).

#### Cash at bank

Cash at bank are carried at their face value.

Liabilities

Liabilities are recognized initially at their fair value less transaction costs, which represents the net proceeds of issuing the liability. Subsequently, liabilities are stated at amortized cost using the effective interest rate method. Liabilities are classified as current if the debt agreement terms require repayment within one year of the balance sheet date. Otherwise, they are classified as long-term.

Income taxes

The Company does not account for income taxes, as these are recognised in the financial statements of the head of the fiscal unity, being Syngenta Treasury N.V.

**Profit and loss account**Net financial income (expense)

This represents the proceeds and costs from borrowing and lending.

Interest income and expense (including any premiums and discounts treated as interest charges) is recognised in the profit and loss account, based on the effective interest rate method.

Operating expenses

Expenses are determined with due observance of the aforementioned accounting policies and allocated to the financial year to which they relate. Any other obligations as well as potential losses arising before the financial year-end are recognised, if they are known before the financial statements are prepared and provided all other conditions for forming provisions are met.

**Cash flow statement**

The consolidated financial statements of Syngenta Group include a consolidated cash flow statement. Therefore the Company has not included a cash flow statement in its statutory financial statements. The Syngenta Group consolidated financial statements are available on the website [www.syngenta.com](http://www.syngenta.com).

**2. Financial fixed assets**

	2018	2017
(in thousands of USD)		
<b>Loans to group companies</b>		
Balance as at 1 January	2,041,076	2,031,095
Reclassification to short-term receivables	(280)	(372)
Amortisation of loans	1,041	12,691
Additions	4,732,020	1,676
Repayments	-	(146,500)
Foreign currency movements	(52,681)	142,486
<b>Total financial fixed assets as at 31 December</b>	<b>6,721,176</b>	<b>2,041,076</b>

Loans to group companies bear interest between 1.35% and 5.726% (2017: 1.35% and 5.59%). The interest rates are on an arms' length basis. The face value of loans to group companies is EUR 1,000,000,000 (2017: EUR 1,000,000,000) and USD 5,603,500,000 (2017: USD 853,500,000).

The foreign currency movements of USD 52,681,000 relates to the EUR denominated loans to group companies.

The maturity dates of the loans to group companies range from 2020 up to 2048 (2017: 2020 up to 2042). The carrying amounts of the loans to group companies can be split based on the maturity dates as follows:

- Loans maturing within 1-5 years: USD 3,600,466,000 (2017: USD 1,135,069,000);
- Loans maturing after 5 years: USD 3,120,710,000 (2017: USD 906,007,000).

As part of its credit policies, the Company has defined an internal credit limit for the sole shareholder Syngenta Treasury N.V. for a maximum amount of USD 12,000,000,000 (2017: USD 12,000,000,000) at interest rates corresponding to the Company's borrowing costs increased by all costs (if any) relating to the issue of debt securities which fund receivables under these credit limit. As at 31 December 2018 an amount of USD 6,947,079,000 was outstanding (2017: USD 2,489,985,000).

### 3. Receivables

#### Receivables and receivables from group companies

	2018	2017
(in thousands of USD)		
Other receivables	281	396
Amounts receivable from group companies	291,034	467,372
Loans receivable from group companies	-	-
Balance as at 31 December	<u>291,315</u>	<u>467,768</u>

Amounts receivable from group companies consists mainly of the on-lent of drawing of EUR 70,000,000 on the global commercial paper program and utilization of USD 150,000,000 of the committed, revolving, multi-currency syndicated credit facility, accrued interest and the recharge of expenses to Syngenta Treasury N.V. relating to the spread on bonds and guarantees. Recharges to group companies are calculated based on an arm's length principle.

### 4. Cash at bank

	2018	2017
(in thousands of USD)		
Cash at bank	<u>134</u>	<u>472</u>

There are no restrictions on the availability of cash at bank.

## 5. Shareholder's equity

Movements in the individual items of equity in 2018 were as follows:

	Share capital	Currency translation reserve	Retained earnings	Profit for the year	Total
(in thousands of USD)					
Balance at 1 January 2018	54	(708)	8,939	891	9,176
Currency translation	(2)	718	(1,161)	-	(445)
Profit appropriation	-	-	891	(891)	-
Profit for the year	-	-	-	1,318	1,318
Balance at 31 December 2018	<u>52</u>	<u>10</u>	<u>8,669</u>	<u>1,318</u>	<u>10,049</u>

Movements in the individual items of equity in 2017 were as follows:

	Share capital	Currency translation reserve	Retained earnings	Profit for the year	Total
(in thousands of USD)					
Balance at 1 January 2017	47	(1,739)	8,289	650	7,247
Currency translation	7	1,031	-	-	1,038
Profit appropriation	-	-	650	(650)	-
Profit for the year	-	-	-	891	891
Balance at 31 December 2017	<u>54</u>	<u>(708)</u>	<u>8,939</u>	<u>891</u>	<u>9,176</u>

### Paid-up and called-up share capital

Issued share capital is equal to the paid-up and called-up share capital of 45,000 ordinary shares of EUR 1.00 each. Shares were paid up in cash in 2007. The authorised share capital consists of 225,000 ordinary shares of EUR 1.00 each.

### Currency translation reserve

As per 01 May 2018 the functional currency and presentation currency is USD. Therefore the currency translation reserve at year end 2018 reflects only the impact of the translation of the Company's share capital in EUR to USD at the rate of exchange at the balance sheet date. The currency translation reserve is a legal reserve.

The currency translation reserve relating to the translation of the Company's financial statements from the functional currency (EUR) to the presentation currency (USD) relating to the period till 01 May 2018 has been reclassified to the retained earnings.

In 2017 the currency translation reserve reflects the translation of the Company's financial statements from the functional currency (EUR) to the presentation currency (USD).

## 6. Long-term liabilities

(in thousands of USD)	2018			2017		
	> 5 years	1-5 years	Total	> 5 years	1-5 years	Total
<b>Amounts payable to third parties</b>						
Balance as at 1 January	903.775	1.132.749	2.036.524	1.428.731	598.315	2.027.046
Reclassification to short-term debt	-	-	-	-	-	-
Reclassification between long-term liabilities	-	-	-	(498.584)	498.584	-
New Bonds addition	2.238.750	2.487.500	4.726.250	-	-	-
Repayment of payables	-	-	-	(109.000)	(37.500)	(146.500)
Amortisation	1.453	3.644	5.097	11.615	1.903	13.518
Foreign currency movements of payables	(26.285)	(26.440)	(52.725)	71.013	71.447	142.460
Balance as at 31 December	<u>3.117.693</u>	<u>3.597.453</u>	<u>6.715.146</u>	<u>903.775</u>	<u>1.132.749</u>	<u>2.036.524</u>

Amounts payable bear interest between 1.25% and 5.676% (2017: 1.25% and 5.59%). The face value of payables to third parties is EUR 1,000,000,000 (2017: EUR 1,000,000,000) and USD 5,603,500,000 (2017: USD 853,500,000). The interest rates are fixed and do not depend on future changes in certain factors.

The foreign currency movements of USD 52,725,000 relates to the EUR denominated payables to third parties.

(in thousands of USD)	2018			2017		
	> 5 years	1-5 years	Total	> 5 years	1-5 years	Total
USD Private placements 2020	-	36.833	36.833	-	36.521	36.521
USD Private placements 2025	52.106	-	52.106	51.784	-	51.784
USD Private placements 2035	9.931	-	9.931	9.897	-	9.897
USD bond 2022	-	498.896	498.896	-	498.584	498.584
USD bond 2042	247.998	-	247.998	247.950	-	247.950
USD bond 2020	-	747.503	747.503	-	-	-
USD bond 2021	-	747.068	747.068	-	-	-
USD bond 2023	-	995.620	995.620	-	-	-
USD bond 2025	746.562	-	746.562	-	-	-
USD bond 2028	995.264	-	995.264	-	-	-
USD bond 2048	497.521	-	497.521	-	-	-
Eurobond 2021	-	571.533	571.533	-	597.644	597.644
Eurobond 2027	568.311	-	568.311	594.144	-	594.144
Amounts payable to third parties	<u>3.117.693</u>	<u>3.597.453</u>	<u>6.715.146</u>	<u>903.775</u>	<u>1.132.749</u>	<u>2.036.524</u>

The Company partly finances its intra-group financing activity through the issuance of debt securities.

- In 2012 an USD Bond was issued with a face value of USD 500,000,000 maturing on 28 March 2022 and bearing interest at a fixed rate of 3.125%.
- In 2012 an USD Bond was issued with a face value of USD 250,000,000 maturing on 28 March 2042 and bearing interest at a fixed rate of 4.375%.

- In 2014 an Eurobond with a face value of EUR 500,000,000 maturing on 2 November 2021 and bearing interest at a fixed rate of 1.875%.
- In 2017 an Eurobond with a face value of EUR 500,000,000 maturing on 10 September 2027 and bearing interest at a fixed rate of 1.25%.
- In 2018 an USD Bond was issued with a face value of USD 750,000,000 maturing on 24 April 2020 and bearing interest at a fixed rate of 3.698%.
- In 2018 an USD Bond was issued with a face value of USD 750,000,000 maturing on 24 April 2021 and bearing interest at a fixed rate of 3.933%.
- In 2018 an USD Bond was issued with a face value of USD 1,000,000,000 maturing on 24 April 2023 and bearing interest at a fixed rate of 4.441%.
- In 2018 an USD Bond was issued with a face value of USD 750,000,000 maturing on 24 April 2025 and bearing interest at a fixed rate of 4.892%.
- In 2018 an USD Bond was issued with a face value of USD 1,000,000,000 maturing on 24 April 2028 and bearing interest at a fixed rate of 5.182%.
- In 2018 an USD Bond was issued with a face value of USD 500,000,000 maturing on 24 April 2048 and bearing interest at a fixed rate of 5.676%.

The 2012 USD bonds were deregistered from the SEC with effective date 19 April 2018. The Eurobonds and 2018 USD Bonds are traded at the Luxembourg Stock Exchange.

In 2005 three tranches of fixed rate notes under a Note Purchase Agreement in the US Private Placement market were issued with a group of investors for a total amount of USD 250,000,000. Due to a change in control and a rating downgrade of Syngenta AG in May 2017, the US Private Placement investors had the right to require the Company to prepay its notes at par together with interest thereon to the prepayment date. In July 2017 USD 146,500,000 of the total of USD 250,000,000 was repaid. The prepayment right due to the change of control elapsed in August 2017. After the partial repayment of the notes the three tranches mature as follows:

- USD 37,500,000 due on 8 December 2020 and bearing interest at a fixed rate of 5.11%.
- USD 55,000,000 due on 8 December 2025 and bearing interest at a fixed rate of 5.35%.
- USD 11,000,000 due on 8 December 2035 and bearing interest at a fixed rate of 5.59%.

Syngenta AG has fully and unconditionally guaranteed the bonds and the private placement notes. The current credit rating of Syngenta AG by Moody's is Ba2/Not Prime, by S&P's BBB-/A-3 and Fitch BBB/F3.

## 7. Current liabilities

	2018	2017
(in thousands of USD)		
Amounts owed to group companies	5,188	4,471
Other liabilities	52,080	11,399
Current financial debts	230,162	447,746
<b>Total</b>	<b>287,430</b>	<b>463,616</b>

Amounts owed to group companies consists mainly of guarantee fees and accruals for overhead expenses.



The current financial debts at 31 December 2018 concerns drawing of EUR 70,000,000 (2017: EUR 206,800,000) on the global commercial paper program and utilization of USD 150,000,000 (2017: USD 200,000,000) of the committed, revolving, multi-currency syndicated credit facility.

Other liabilities can be broken down as follows:

	2018	2017
(in thousands of USD)		
Accrued interest 3rd party	52,056	11,373
Audit fees payable	24	26
Other expenses payable	-	-
Total	<u>52,080</u>	<u>11,399</u>

## 8. Financial income and expense

	2018	2017
(in thousands of USD)		
Interest income from group companies	246,208	73,557
Foreign exchange losses	(64,384)	(117,047)
Foreign exchange gains	<u>64,293</u>	<u>117,018</u>
Net foreign exchange gains (losses)	<u>(91)</u>	<u>(29)</u>
Financial income	246,117	73,528
Financial expense	(244,518)	(72,401)
Net financial income (expense)	<u>1,599</u>	<u>1,127</u>

The financial income and expense represents the income and expense related to the amounts receivable from group companies and bonds, private placements and drawings under the global commercial paper program and the committed, revolving, multi-currency syndicated credit facility.

## 9. Operating expenses

	2018	2017
(in thousands of USD)		
Salaries and wages	(70)	(32)
Social security	(16)	(9)
Recharges from group companies	(142)	(138)
Other operating income/(expenses)	(19)	(29)
Audit fees	(34)	(28)
Total operating expenses	<u>(281)</u>	<u>(236)</u>

Recharges from group companies are mainly finance operating support expenses from Syngenta Crop Protection AG. Recharges from group companies are calculated based on an arm's length principle.

The following fees were charged by KPMG Accountants N.V. to the Company as referred to in Section 2:382a (1) and (2) of the Netherlands Civil Code:

	2018			2017		
	KPMG Accountants N.V.	Other KPMG network	Total KPMG	KPMG Accountants N.V.	Other KPMG network	Total KPMG
(in thousands of USD)						
Audit of the financial statements	34	-	34	28	-	28
Other audit engagements	-	-	-	-	-	-
Tax-related advisory services	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-
<b>Total</b>	<b>34</b>	<b>-</b>	<b>34</b>	<b>28</b>	<b>-</b>	<b>28</b>

## 10. Income taxes

Reconciliation of the effective tax rate

	2018	2017
(in thousands of USD)		
Profit for the year	1,318	891
Transfer profit to fiscal unity parent	(1,318)	(891)
Taxable income	-	-
Local tax rate (25%)		
Tax expense for the year	-	-

The applicable tax rate for the Company's financial statements is 25% (2017: 25%). The Company is part of the fiscal unity with its immediate holding company, Syngenta Treasury N.V. The Company does not account for income taxes, as these are recorded in the financial statements of Syngenta Treasury N.V., consequentially the effective tax rate 0.0 % (2017: 0.0%). The difference in tax rate is a consequence of the fact that tax charges are recorded through Syngenta Treasury N.V. There are no differences in tax rates or any other differences between situations in which profits or reserves are retained and situations in which profits or reserves are distributed.

## 11. Employees

### Workforce

There is one employee in the service of the Company (2017: 1). In addition, the Company is being supported by various employees on the payroll of other Dutch based Syngenta companies.

## **Remuneration of and loans to members of the Board of Directors**

The members of the Board of Directors did not receive any remuneration and have not taken out loans from the Company.

## **12. Related parties**

### **Related parties**

Syngenta Treasury N.V., Syngenta Crop Protection AG, Syngenta AG, Syngenta Wilmington Inc. and Syngenta Seeds B.V., are considered related parties. Syngenta Seeds B.V. and Syngenta Crop Protection AG provide support finance and treasury services, office space, (IT) facilities and administrative services to the Company on an at arm's length basis. The total fees paid for guarantees provided by Syngenta AG to the Company amounts to USD 18,702,000 in 2018 (2017: USD 2,889,000).

### **Ultimate holding company**

China National Chemical Corporation, Beijing, People's Republic of China, is the ultimate holding company of the Company. Syngenta AG, the guarantor of the Company includes the financial data of the Company in its consolidated financial statements. The financial statements are available on the website [www.syngenta.com](http://www.syngenta.com).

## **13. Commitments not shown in the balance sheet**

### **Liability**

The Company together with Syngenta Treasury N.V. constitutes a fiscal unity for corporate income tax and value-added tax. The Company is jointly and severally liable for the tax liabilities of the Dutch group companies forming part of the fiscal unity. Total tax liability of the fiscal unity at 31 December 2018 amount to USD 5,664,000 (2017: asset of USD 622,000).

### **Other commitments not shown in the balance sheet**

The Company, acting as borrower, entered into a Revolving Credit Facility Agreement between the Company, Syngenta AG as guarantor, other group entities acting as borrowers and a group of international banks acting as lenders for USD 1,500,000,000 in 2012. In 2016 the credit facility was increased to USD 2,500,000,000 and in 2017 to USD 3,000,000,000. The credit facility matures in 2023 with a one year extension option. At 31 December 2018, USD 150,000,000 (2017: USD 200,000,000) was drawn under this facility.

No guarantees have been issued for members of the Board of Directors by the Company.

## 14. Financial risks

### Foreign currency risk

The Company is not exposed to any significant foreign currency risks as it has lent on all proceeds from the issue of debt securities to the sole shareholder Syngenta Treasury N.V. with mirroring conditions.

### Interest rate risk

The Company is not exposed to any significant interest rate risks as it has lent on all proceeds from the issue of debt securities to the sole shareholder Syngenta Treasury N.V. with mirroring conditions.

### Counterparty credit risk

The Company's transactions with its sole shareholder Syngenta Treasury N.V. expose it to a significant concentration of credit risk. However, all of the Company's financial liabilities from transactions with third parties on the money markets, credit and capital markets are guaranteed by Syngenta AG. The current credit rating of Syngenta AG by Moody's is Ba2/Not Prime, by S&P's BBB-/A-3 and Fitch BBB/F3.

### Liquidity and refinancing risk

Liquidity and refinancing risk are managed by the following instruments:

- In the first place, the operating cash inflows generated from the other members of the Syngenta Group (through the sole shareholder Syngenta Treasury N.V.) that are used to repay the financial liabilities of the Company, are considered sufficient to cover the financial obligations of the Company. This is evidenced by the current ratio of 1.01 (2017: 1.01) and the debt ratio 0.999 (2017: 0.996).
- The Company together with Syngenta Wilmington Inc. has access to a USD 2,500,000,000 Global Commercial Paper program guaranteed by Syngenta AG. Commercial Paper issues are backed by a USD 3,000,000,000 committed, revolving, multi-currency syndicated credit facility. As at 31 December 2018, an amount of USD 0 (2017: USD 225,000,000) was issued under the global commercial paper program by the Syngenta group via Syngenta Wilmington Inc. and an amount of EUR 70,000,000 (2017: EUR 206,800,000) via the Company
- The amount of the committed, revolving, multi-currency syndicated credit facility was increased in May 2017 from USD 2,500,000,000 to USD 3,000,000,000. With effect from 12 April 2018 the Company resigned as a guarantor and became only a borrower. The contractual expiry of the committed, revolving, multi-currency syndicated credit facility date is in 2023 with a one year extension option. As described in note 13, the Company acts as a borrower of the revolving credit facility agreement. At 31 December 2018 USD 150,000,000 (2017: USD 200,000,000) was drawn under this facility
- Syngenta AG has fully and unconditionally guaranteed on a senior unsecured basis the due and punctual payment of the principal of and any premium and interest on the debt securities issued by the Company.
- The Company's interest rates, duration and terms of financial assets and liabilities as well as their currency are generally matching - leading to a reduced market and liquidity risk.

The Company does not make use of derivative financial instruments.

## 15. Fair value

The carrying value and fair value of the Company's financial assets and liabilities can be broken down as follows:

(in thousands of USD)	2018		2017	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Financial fixed assets	6,721,176	6,364,024	2,041,076	1,939,366
Receivables from group companies	291,315	291,315	467,768	467,768
Cash at bank	134	134	472	472
	<u>7,012,625</u>	<u>6,655,473</u>	<u>2,509,316</u>	<u>2,407,606</u>
Financial liabilities				
Long-term liabilities	6,715,146	6,364,024	2,036,524	1,939,366
Current liabilities	287,430	287,430	463,616	463,616
	<u>7,002,576</u>	<u>6,651,454</u>	<u>2,500,140</u>	<u>2,402,982</u>

The estimated fair value of the financial assets and liabilities is determined using available market information and appropriate valuation methods. The following methods and assumptions have been used to estimate the market value of the financial instruments:

- Current and non-current assets and liabilities representing the bonds issued with financial counterparties and the fixed rate notes under a Note Purchase Agreement in the US Private Placement market, and the related loans to Syngenta group companies.
- The levels of fair value hierarchy used for the bonds and private placements are defined as follows:
  - o Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
  - o Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
  - o Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.
- Financial liabilities represent both exchange traded bonds and non-exchange traded private placement notes issued by the Company. The fair value disclosed consists of level 2 fair value measurements derived from observable price quotations for the bonds.
- All raised funds are lent on a back-to-back basis to the sole shareholder Syngenta Treasury N.V. Therefore the fair value of the financial fixed assets and long term liabilities are the same.
- All other financial assets and liabilities: given the short term of these instruments, the carrying value is close to the market value.

## 16. Events after the balance sheet date

There have been no material subsequent events after balance sheet date.

## **17. Proposed appropriation of the profit for 2018**

If the General Meeting of Shareholders accepts this proposal, the net profit for 2018 of USD 1,318,000 will be added to the retained earnings.

Enkhuizen, 20 March 2019

The Managing Board:

J.D. Halliwell

D. Hueting

T.J.A. Meili

R.C. Peletier

R.M. Röthlisberger

L.W.F. Veldhuizen

## **OTHER INFORMATION**

### **Articles of Association provisions governing profit appropriation**

Profit is appropriated in accordance with Article 17.2 of the Articles of Association, which states that the General Meeting of Shareholders shall determine the allocation of the profit.





# Independent auditor's report

To: the General Meeting of Shareholders and the Managing Board of Syngenta Finance N.V.

## **Report on the audit of the 2018 financial statements included in the annual report**

### ***Our opinion***

To: the General Meeting of Shareholders and the Managing Board of Syngenta Finance N.V.

## **Report on the audit of the 2018 financial statements included in the annual report**

### ***Our opinion***

In our opinion the accompanying financial statements give a true and fair view of the financial position of Syngenta Finance N.V. as at 31 December 2018 and of its result for the year then ended, in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### ***What we have audited***

We have audited the 2018 financial statements of Syngenta Finance N.V. ('the Company') based in Amsterdam, the Netherlands.

The financial statements comprise:

- 1 the balance sheet as at 31 December 2018;
- 2 the profit and loss account for 2018; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

### ***Basis for our opinion***

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Syngenta Finance N.V. in accordance with the EU Regulation on specific requirements regarding statutory audits of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## Audit approach

### Summary

#### Materiality

- Materiality of USD 35 million
- 0.5% of total assets

#### Key audit matters

- Valuation of financial fixed assets and receivables from group companies

#### Opinion

Unqualified

### Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at USD 35 million (2017: USD 12.5 million). The materiality is determined with reference to total assets. We consider total assets as the most appropriate benchmark because the Company is a financing entity for the Syngenta Group. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

### Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Managing Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Valuation of financial fixed assets and receivables from group companies

#### Description

The main purpose of the Company is the financing of companies belonging to the Syngenta Group. The Company does not have any significant assets other than loans to a group company. As at 31 December 2018, the carrying value of these loans amounted to USD 7 billion. As disclosed in note 1, these loans to and receivables from group companies are valued at amortised cost less accumulated impairment losses.

The Company is dependent on the performance of the Syngenta Group for the repayment of these loans to and receivable from group companies. Given the pervasive impact of the valuation of these financial fixed assets and receivables from group companies on the financial statements of the Company as a whole, we consider the valuation of the loans to and the receivables from group companies to be a key audit matter.



### **Our response**

Our audit procedures included, amongst others, evaluating whether there were objective indicators for impairment of the loans and receivables, such as a decline of the fair value of the loans to and receivables from group companies below their carrying value. We used our valuation specialist to assess management's fair value determination.

Further we have analysed the financial performance, financial position and liquidity ratios of Syngenta AG to determine whether it has the ability to fulfil the guarantee of the loans issued by Syngenta Treasury N.V., as principal borrower, to the Syngenta group companies.

### **Our observation**

The results of our procedures on the valuation of the loans to group companies and the receivables from group companies were satisfactory.

### **Report on the other information included in the annual report**

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the Directors' report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Managing Board of the Syngenta Finance N.V. is responsible for the preparation of the other information, including the Directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

### **Report on other legal and regulatory requirements**

#### ***Engagement***

We were engaged by the General Meeting of Shareholders as auditor of Syngenta Finance N.V. on 25 February 2015, as of the audit for the year 2014 and have operated as statutory auditor ever since that financial year.

#### ***No prohibited non-audit services***

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.



## **Description of responsibilities regarding the financial statements**

### ***Responsibilities of the Managing Board for the financial statements***

The Managing Board is responsible for the preparation and fair presentation of the financial statements in accordance Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as the Managing Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

### ***Our responsibilities for the audit of the financial statements***

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included in appendix of this auditor's report. This description forms part of our auditor's report.

Utrecht, 20 March 2019

KPMG Accountants N.V.

J.G.R. Wilmink RA



## Appendix

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Managing Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the Managing Board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audits of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Managing Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Managing Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.