

Supplementary financial information

The following supplementary financial information includes non-GAAP measures. Syngenta uses non-GAAP measures where they are regarded by management as important for the investor to fully understand Syngenta's performance. Non-GAAP measures do not present a complete picture of financial performance and these measures should be seen only as supplementary financial information.

Financial summary

For the year ended December 31, (\$m)	Excluding restructuring and impairment ¹		Restructuring and impairment		As reported under IFRS	
	2019	2018 ⁶	2019	2018 ⁶	2019	2018 ⁶
Sales	13,582	13,569	-	-	13,582	13,569
Gross profit/(loss)	6,200	6,314	(1)	(33)	6,199	6,281
Marketing and distribution	(2,239)	(2,216)	-	-	(2,239)	(2,216)
Research and development	(918)	(1,311)	-	-	(918)	(1,311)
General and administrative:						
Restructuring	-	-	(364)	(281)	(364)	(281)
Gains on divestments and disposals of non-current assets	106	69	28	365	134	434
Other general and administrative	(885)	(777)	-	-	(885)	(777)
Operating income/(loss)	2,264	2,079	(337)	51	1,927	2,130
Income/(loss) before taxes	1,840	1,680	(337)	51	1,503	1,731
Income tax benefit/(expense)	(117)	(292)	70	12	(47)	(280)
Net income/(loss)	1,723	1,388	(267)	63	1,456	1,451
Attributable to non-controlling interests	(6)	(4)	-	-	(6)	(4)
Attributable to Syngenta AG shareholder	1,717	1,384	(267)	63	1,450	1,447
			2019	2018⁶	2019 CER²	
EBITDA³			2,927	2,675		
EBITDA margin			21.5%	19.7%	21.3%	
Tax rate on results excluding restructuring and impairment			6%	17%		
Free cash flow⁴			283	(144)		
Debt/equity gearing⁵			172%	154%		
Net debt⁵			7,572	6,326		

1 Net income excluding restructuring and impairment is provided as additional information and not as an alternative to net income determined in accordance with IFRS.

2 For a description of CER see Appendix A.

3 EBITDA is defined in Appendix B.

4 For a description of free cash flow, see Appendix C.

5 For a description of net debt and the calculation of debt/equity gearing, see Appendix D.

6 After effect of accounting policy changes and restatements described in Note 2 in the Financial Report 2019.

Supplementary financial information

Appendix A: Constant exchange rates (CER)

Results in this report from one period to another period are, where appropriate, compared using constant exchange rates (CER). To present that 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 at the exchange rates for the current year. CER margin percentages for EBITDA are calculated by the ratio of these measures to sales after restating the measures and sales at prior period exchange rates. The CER presentation indicates the underlying business performance before taking into account currency exchange fluctuations.

Appendix B: Reconciliation of EBITDA to net income

EBITDA is defined as earnings before interest, tax, non-controlling interests, depreciation, amortization, restructuring and impairment. Information concerning EBITDA has been included as it is used by management and by investors as a supplementary measure of operating performance. Management excludes restructuring and impairment from EBITDA in order to focus on results excluding items affecting comparability from one period to the next. EBITDA is not a measure of cash liquidity or financial performance under generally accepted accounting principles and the EBITDA measures used by Syngenta may not be comparable to other similarly titled measures of other companies. EBITDA should not be construed as an alternative to operating income or cash flow as determined in accordance with generally accepted accounting principles.

For the year ended December 31,
(\$m)

	2019	2018 ¹
Net income attributable to Syngenta AG shareholder	1,450	1,447
Non-controlling interests	6	4
Income tax (benefit)/expense	47	280
Financial expense, net	425	401
Restructuring and impairment	337	(51)
Depreciation, amortization and other impairment	662	594
EBITDA	2,927	2,675

¹ After effect of accounting policy changes and restatements described in Note 2 in the Financial Report 2019.

Appendix C: Free cash flow

Free cash flow comprises cash flow from operating and investing activities:

- excluding investments in and proceeds from marketable securities, which are included in investing activities;
- excluding cash flows from and used for foreign exchange movements and settlement of related hedges on inter-company loans, which are included in operating activities; and
- including cash flows from acquisitions of non-controlling interests, which are included in financing activities.

Free cash flow is not a measure of financial performance under generally accepted accounting principles and the free cash flow measure used by Syngenta may not be identical to similarly titled measures in other companies. Free cash flow has been included as many investors consider it to be a useful supplementary measure of cash generation.

For the years ended December 31,

(\$m)	2019	2018
Cash flow from operating activities	838	1,367
Cash flow used for investing activities	(248)	(1,641)
Cash flow (from)/used for marketable securities	(161)	207
Cash flow from foreign exchange movements and settlement of hedges of inter-company loans	(146)	(77)
Free cash flow	283	(144)

Appendix D: Net debt reconciliation

Net debt comprises total debt net of cash and cash equivalents and marketable securities. Net debt is not a measure of financial position under generally accepted accounting principles and the net debt measure used by Syngenta may not be comparable to the similarly titled measure of other companies. Net debt has been included as many investors consider it to be a useful measure of financial position and risk. The following table provides a reconciliation of movements in net debt during the period:

For the years ended December 31,

(\$m)	2019	2018
Opening balance at January 1	6,326	1,621
Initial recognition of leases under IFRS 16	200	-
New leases entered into during the year	412	28
Other non-cash items	16	-
Cash paid on financing-related derivatives	42	-
Cash (received)/paid under Credit Support Annex agreements, net	122	(26)
Foreign exchange effect on net debt	(163)	(148)
Dividends paid	900	4,707
Free cash flow	(283)	144
Closing balance at December 31	7,572	6,326
Components of closing balance:		
Cash and cash equivalents	(1,933)	(1,563)
Marketable securities ¹	(50)	(214)
Current financial debt ²	2,226	925
Non-current financial debt ³	7,329	7,178
Closing balance at December 31	7,572	6,326

1 Long-term marketable securities are included in Financial and other non-current assets. Short-term marketable securities are included in Derivative and other financial assets.

2 Included in Current financial debt and other financial liabilities.

3 Included in Financial debt and other non-current liabilities.

The following table presents the derivation of the debt/equity gearing ratio at December 31, 2019 and 2018:

(\$m)	2019	2018 ¹
Net debt	7,572	6,326
Shareholder's equity	4,397	4,118
Debt/Equity gearing ratio (%)	172	154

1 After effect of accounting policy changes and restatements described in Note 2 in the Financial Report 2019.