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August 19, 2008
Basel, Switzerland

News Release: Six month results to June 30, 2008

(Information released earlier than planned to comply with ad hoc publication relating to goodwill impairment)

Ciba announces half year results and strategic moves to reshape portfolio

- *Good sales growth in Asia in first half year, some slowdown in Europe*
- *Operational profitability in Q2 heavily impacted by raw material and energy costs*
- *Significant sales price increases taking effect from mid June*
- *Goodwill impairment of CHF 595 million in Water & Paper Treatment*
- *Strategic options under evaluation for paper and publication inks businesses*
- *Acquisitions and JV planned for Q3 to strengthen Plastic Additives and Coating Effects*
- *New industry focused operating model to be effective early 2009*

Brendan Cummins, Chief Executive Officer comments:

"We are taking significant action to reshape the portfolio and focus on areas of technological core strength in plastics, coatings and water. A number of options are being evaluated for the paper and publication inks businesses, which are not performing in line with our expectations and require additional strategic action to improve their market positions. Decisions will be taken on an appropriate course of action for both businesses in the next few months. In accordance with accounting requirements, we have also adjusted goodwill levels for the Water & Paper Treatment segment, which brings us into a loss for the second quarter."

"In Plastic Additives we are in the process of agreeing a joint venture to expand our plastics capability in the fast growing region of the Middle East and we are planning to make acquisitions in the next few weeks that will strengthen our Coating Effects business. These moves will enhance already strong market positions in these segments."

First half overview

Six months results to June 30, 2008

Key figures (in millions of Swiss francs, except per share data and percentages)

First half year to first half year comparison (unaudited)

Six months ended June 30,	Excluding restructuring ^(a)				Including restructuring		
	2008	2007	Change in %		2008	2007	Change in %
			CHF	LC ^(b)			CHF
Net sales	3 088	3 308	-7	0			
Gross profit	829	960	-14				
Operating income (loss) (EBIT)	161	273	-41		(477)	208	
Operating income (EBIT) margin ^(c)	5.2%	8.2%					
Income (loss) from continuing operations	57	155	-63		(568)	110	
Net income (loss)					(569)	103	
Net income (loss) per share ^(d)					(8.50)	1.53	

In addition, please see [consolidated financial summary](#) and [notes to news release](#) at the end of this document.

Brendan Cummins, Chief Executive Officer comments:

“The half year results were unquestionably disappointing. We experienced intense margin pressure from the escalation of raw material and energy costs, which went up 10 percent in the second quarter alone, with the heaviest impact in April and May. However, by mid June, we were able to offset these higher costs with sales price increases and we are seeing further significant sales price increases coming through in July.”

“Business conditions going into the second half clearly remain a challenge. We are experiencing a deterioration in some markets, particularly in Europe, however, we are also seeing continued robust growth in other regions, notably in Asia, where we have a strong market position. Overall, based on our current market forecasts, raw material costs and foreign exchange rates; we believe the outlook we communicated at the first quarter, is achievable with the margin improvements that are coming through from the increased sales prices in the second half. However, should business conditions worsen further, the results may be lower than we are currently anticipating.”

Sales in local currencies up in Asia, Americas - slower in Europe

Sales of CHF 3,088 million (2007: CHF 3,308 million) were flat in local currencies and 7 percent lower in Swiss francs. Growth was strong in Asia, with good sales across the business, in particular double digit growth in lubricant additives and electronic materials. China itself was up 10 percent in local currencies.

Sales in the Americas were 1 percent higher over the same period in 2007 in local currencies, and 10 percent lower in Swiss francs, as a result of the much weakened US dollar. Growth in the Americas came through strongly in the water treatment business in NAFTA, as well as South America.

European sales were weaker than the previous year, 5 percent lower in local currencies and 7 percent lower in Swiss francs. There was growth in some areas of the plastics businesses, as well as in lubricant additives and water treatment, however, there were declines in paper as a result of weaker demand in the industry.

Gross profit margin of 26.8 percent (2007: 29.0 percent) was impacted by the high levels of raw material costs. Production costs were flat over the first half of 2007, despite a 10 percent increase in energy costs, reflecting the success of the lean manufacturing initiative, which is delivering considerable savings in the production network.

Raw material prices increased 8 percent (CHF 119 million) over the first half of 2007, with the strongest impact felt largely in April and May, where there were double digit increases in a number of areas of the business. Sales contracts with some of the largest customers were concluded before the impact of heavy escalations in raw material costs took place and this added to the normal implementation lag between higher costs coming through and sales prices fully compensating. By mid June, however, increased sales prices had started to offset the higher costs and the margin erosion was stemmed. Significant increases in sales prices are now very visible in the first part of the third quarter, with a substantial increase from June to July.

Operational profitability significantly impacted by raw material costs and strength of Swiss franc relative to the US dollar

Operating income (EBIT) before restructuring was CHF 161 million (2007: CHF 273 million), resulting in a margin of 5.2 percent (2007: 8.2 percent). The result was severely impacted by the escalation in raw material costs, as well as the strength of the Swiss franc relative to the US dollar. The margin erosion from the higher costs has now been stemmed, with significant sales price increases coming through in mid June and into the third quarter.

Restructuring costs related to the Operational Agenda program to improve the cost structure and facilitate growth, which was launched in 2006, were CHF 44 million. Savings of around CHF 60 million were achieved in the first half, although the impact was less visible as the cost structure was significantly affected by the high raw material and energy costs. By the end of next year the Company expects to have around 2,500 fewer positions; a leaner manufacturing network; a consolidated corporate structure; and a new global IT platform. In addition, the innovation process has been overhauled and marketing and sales function is running effectively. The program is well on track to achieve a reduction in cost structure of approximately CHF 100 million in 2008.

Goodwill impairment

In the first half, the Company conducted a strategic review of the paper business and concluded that further strategic options needed to be evaluated for this business, as market dynamics had changed considerably over the last few years and previously forecast profitability levels would not be met. In addition, the Company experienced higher interest rates and equity risk premiums; and therefore an increase in discount rates. Together, these factors triggered an impairment test and a resultant CHF 595 million non-cash goodwill impairment for the segment. Around two thirds of this relates to the acquisition of Allied Colloids in 1998.

The Company has therefore reported a **net loss** for the first half of 2008 of CHF 569 million (2007 net income: CHF 103 million).

Balance sheet and cash flow

Working capital of CHF 1,657 million was lower than the previous year (2007: CHF 1,788 million), although not yet in line with Company expectation. However, with SAP now rolled out across the organization and sales and operating processes fully aligned, the Company expects a further structural improvement going forward.

Free cash flow before restructuring at a negative CHF 126 million, was lower than the same period in 2007 (CHF 39 million), which had included CHF 101 million from the sale of some buildings in Switzerland. This follows a normal pattern of cash-outs, particularly interest payments, which results in much lower first half year free cash flow levels than second half. The Company still expects to deliver free cash flow levels comparable to 2007.

Debt Maturity Profile. The Company has assessed a number of refinancing options to address maturities coming up. This has enabled the Company to further optimize the maturity profile of the debt structure and it is expected that borrowing costs, despite difficult business conditions, will be similar to current levels.

Overview of second quarter

Key figures (in millions of Swiss francs, except per share data and percentages)

2nd quarter to 2nd quarter comparison (unaudited)

Three months ended June 30,	Excluding restructuring ^(a)				Including restructuring		
	2008	2007	Change in %		2008	2007	Change in %
			CHF	LC ^(b)			CHF
Net sales	1 531	1 649	-7	+1			
Gross profit	391	484	-19				
Operating income (loss) (EBIT)	54	139	-61		(566)	77	
Operating income (EBIT) margin ^(c)	3.5%	8.4%					
Income (loss) from continuing operations	7	76	-91		(605)	33	
Net income (loss)					(606)	27	
Net income (loss) per share ^(d)					(9.05)	0.40	

Sales for the second quarter were CHF 1,531 million, 1 percent higher in local currencies, and with the mainly weaker US dollar, 7 percent lower in Swiss francs. In Europe, sales were impacted by slowing demand in the paper, inks and converting industries and in local currencies, were 7 percent lower than the second quarter of 2007. The Americas, however, were 3 percent higher in local currencies, with strong growth in lubricant additives and water. Asia was 13 percent higher than the second quarter of 2007 in local currencies, with double digit growth in coatings, plastics, paper and lubricant additives. Japan and China both showed double digit growth.

Gross profit margin was 25.5 percent (2007: 29.3 percent), indicative of the dramatic raw material and energy cost escalation.

Operating income (EBIT) before restructuring of CHF 54 million or a margin of 3.5 percent (2007: CHF 139 million, 8.4 percent margin), was significantly impacted

by the raw material cost escalation and the relative strength of the Swiss franc. Sales price increases did not start to compensate for the increased costs until mid June, however, the increases have now taken hold and will have considerably more traction in the third and fourth quarters.

Restructuring costs for the Operational Agenda program were on track as expected at CHF 26 million.

The adjustment of goodwill levels in the Water & Paper Treatment segment has resulted in a non-cash impairment of CHF 595 million, around two thirds of which relates to the acquisition of Allied Colloids in 1998. The Company has therefore reported a **net loss** for the second quarter of 2008 of CHF 606 million (2007 net income: CHF 27 million).

Portfolio being reshaped to deliver value

The Company is planning to make changes to the portfolio over the coming months. In summary:

- ***Evaluation of strategic options for paper business***

The market dynamics of the paper industry have changed considerably in the last three years, and the structural shift of growth to Asia, along with dramatically increased raw material costs have further compounded an already difficult business environment. Although a new business model was successfully implemented in 2007, it was not sufficient to counter balance the difficult market conditions and it has not been possible to achieve satisfactory profitability levels. The Board of Directors of Ciba has decided to evaluate a number of strategic options to ensure a sustainable future for the business.

- ***Strategic options under consideration for publication inks business***

Despite actions to turn around the publication inks business over recent years, the unit has not been able to perform in line with the Company's expectations. A number of strategic options are now under consideration for the business. Ciba is committed to finding an optimal solution in the next few months.

- ***Acquisitions and JV to strengthen Plastic Additives and Coating Effects***

The Company is planning a joint venture in Plastic Additives, as well as acquisitions for Coating Effects, to strengthen market positions and develop new areas of technological application potential. In plastics, this joint venture will expand operational capacity in the Middle East, where rapid growth in this region will build on the Company's global leadership position in plastic additives. In the next few weeks, announcements will be made concerning these initiatives.

- ***New industry-focused operating model***

With SAP now live across the organization, the Company is now in a position to implement its new operating model. Industry focused platforms are being created to better leverage the Company's six technological core competencies and develop higher margin market potential. The new model will be fully effective by January 1, 2009 and will bring a number of benefits across the Company, such as a greater degree of transparency and a deeper level of business accountability. In essence

each business will manage and report its own operations, with profit and loss responsibility and a lean support structure.

All the plastics businesses for example, (which currently comprise Base Polymers and Polymer Products in the Plastic Additives segment, along with pigments for Plastics in Coating Effects) will become one unit.

There will also be a new growth platform, where a number of small, high potential businesses will be brought together with embryonic projects and technologies. In this platform, specialist R&D and marketing expertise will work together to exploit markets for new products, as well as actively pursue technological partnerships with research institutes, entrepreneurs and universities.

The financial results will be reported in the new operating model from January 1, 2009.

Brendan Cummins, Chief Executive Officer, comments:

"These strategic moves mark an important crossroads for Ciba. By making these changes, we can unlock the value in the business and I am convinced that by further optimizing our portfolio we can better leverage our leading market positions and build on our unique innovation capabilities for the longer term. "

"I believe that after some turbulent times, we are approaching the end of our transformation. The Operational Agenda program is half way through and we are on course to complete in 2009. Cost savings are materializing as we expected and our operations are significantly leaner."

Outlook

Assuming that current market conditions continue throughout the year, in 2008 the Company expects sales in local currencies to increase over 2007 levels. On the profitability level, the Company believes the outlook provided at the first quarter, is achievable with margin improvements that are coming through from increased sales prices in the second half. This would result in an operating income before restructuring around 15 percent lower than 2007 and free cash flow to be around the levels reported in 2007. This reflects changes in assumptions for raw material costs and exchange rates. However, should business conditions worsen further, the results may be lower than currently anticipated.

Segment Overview

Plastic Additives sales were 2 percent higher in local currencies than the first six months of 2007 and 2 percent higher in the second quarter. Regionally, Asia grew strongly in the six months, with sales 6 percent higher in local currencies – 11 percent higher in the second quarter. First half year sales in Europe were flat over the previous year and 3 percent lower in the second quarter, as demand slowed in the construction and converting industries. Sales in the Americas were flat over the first half of 2007, and 1 percent higher in the second quarter, despite weakening in the construction and converting industries.

Profitability was impacted significantly in the second quarter by the higher oil based raw material costs, which was felt most strongly in the Base Polymers business line,

where double digit increases were seen in some materials. Sales contracts with some of the largest customers were concluded before the impact of heavy escalations in raw material costs took place and this added to the normal implementation lag between higher costs coming through and sales prices fully compensating. This situation is now rectified and sales price increases have continued to come through strongly into the third quarter.

This raw material cost inflation was compounded by the strength of the Swiss franc, which had an 11 percent impact on operating income (EBIT) before restructuring. There were also some additional costs for the start up of the new antioxidant plant in Singapore. EBIT margin for the first half was also impacted by the production issues experienced in the first quarter, and came in at 8.1 percent (2007: 14.8 percent). EBIT margin for the second quarter was 6.3 percent (2007: 13.9 percent).

Coating Effects sales were flat in local currencies in the first half, with some weakening of demand in Europe and NAFTA, related mainly to the automotive and construction industries, as well as the ongoing decline of the inks market. In Europe, sales in the segment were 5 percent lower in local currencies and in the Americas 4 percent lower, despite strong growth in South America. Growth in Asia was 10 percent, with continued double digit growth in China and a very strong second quarter performance in Japan. A strong first half in the Asian coatings market, helped offset the slower automotive market in NAFTA.

Profitability levels remained high in the segment, with streamlining initiatives and increased sales prices combining to enable the segment to absorb most of the very high raw material (especially in metal derived materials) and energy costs. This resulted in an EBIT margin before restructuring of 12 percent (2007: 13.3 percent), which although slightly lower than the previous year, had also been impacted by an active policy to reduce inventory in the second quarter, in response to slowing demand in Europe and NAFTA. For the second quarter, Coating Effects had an EBIT margin before restructuring of 10.9 percent (2007: 13.6 percent).

The new management team in Coating Effects is in the process of optimizing the portfolio and along with finding a solution for the publication inks business, it is also withdrawing from some small business areas, including Color Services. Sales price increases will be aggressively implemented in the third quarter and it is anticipated that raw material cost inflation will be fully offset over the year.

Water & Paper Treatment sales were slightly lower than the first half and the second quarter of 2007, with considerable weakening in demand in the European paper industry. Sales in Europe were 8 percent lower in local currencies as a result of this, however the water treatment business showed good growth in the region. Sales in the Americas were 6 percent higher than the previous year, with double digit growth in water treatment, as well as an increase in paper, where declines in the Canadian market, were more than offset by gains in the US and Mexico. Asia also showed good sales growth in both paper and water treatment, achieving overall, 5 percent higher sales than the same period in 2007. Water Treatment showed strong growth globally, driven mainly by the mining and municipal sectors.

Raw material and energy cost escalation was severe in the segment, and despite delivering higher cost savings than planned in the operations and implementing sales price increases, it was not possible to fully offset the cost increases before the end of the second quarter. Sales price increases are now coming through strongly in the segment in the third quarter. This lag significantly impacted profitability in the second quarter, bringing an EBIT margin before restructuring of 0.6 percent (2007: 4.7 percent). For the first half, 2 percent (2007: 3.6 percent).

Financial performance in the paper business remains below the Company's requirements. The market dynamics of the paper industry have changed considerably in the last three years, and the structural shift of growth to Asia, along with dramatically increased raw material costs have further compounded an already difficult business environment. Although a new business model was successfully implemented in 2007, it was not sufficient to counter balance the difficult market conditions and it has not been possible to achieve satisfactory margin levels and additional action needs to be taken. The decision has therefore been taken to review a number of strategic options to build a secure and sustainable future for the business and a final conclusion will be reached in the coming months.

In accordance with accounting requirements, there has also been an adjustment of goodwill levels in the segment, resulting in a non-cash impairment of CHF 595 million.

Ciba (SWX: CIBN) is a leading global company dedicated to producing high-value effects for its customers' products. We strive to be the partner of choice for our customers, offering them innovative products and one-stop expert service. We create effects that improve the quality of life – adding performance, protection, color and strength to plastics, paper, automobiles, buildings, home and personal care products and much more. Ciba is active in more than 120 countries around the world and is committed to be a leader in its chosen markets. In 2007, the Company's continued operations generated sales of CHF 6.5 billion and invested more than CHF 260 million in R&D.

Virtual news kit: www.ciba.com/media

- *News release in full (PDF, including tables)*

Financial calendar

- *November 5, 2008: nine month 2008 financial results*

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Ciba Half Year Report 2008

Consolidated financial summary

(in millions of Swiss francs, except per share data)

Statements of income (unaudited)	Excluding restructuring ^(a)		Including restructuring	
	2008	2007	2008	2007
Six months ended June 30,				
Net sales	3 088	3 308	3 088	3 308
Gross profit	829	960	829	960
Restructuring, impairment and other charges ^(a)			(638)	(65)
Operating income (loss) (EBIT)	161	273	(477)	208
Financial income (expense), net	(71)	(56)	(71)	(56)
Income (loss) from continuing operations before income taxes and minority interest	90	217	(548)	152
Provision for income taxes	(32)	(58)	(19)	(38)
Minority interest	(1)	(4)	(1)	(4)
Income (loss) from continuing operations	57	155	(568)	110
Net income (loss)			(569)	103
Net income (loss) per share ^(d)			(8.50)	1.53

Balance sheets	June 30,	Dec 31,
	2008	2007
	(unaudited)	
Current assets	3 246	3 340
Property, plant and equipment, net	2 274	2 426
Other long-term assets	2 236	3 022
Total assets	7 756	8 788
Current liabilities	2 259	1 972
Long-term liabilities	3 126	3 431
Minority interest	59	80
Shareholders' equity	2 312	3 305
Total liabilities and shareholders' equity	7 756	8 788
Net debt	2 191	1 913

Statements of cash flows (unaudited)	2008	2007
Six months ended June 30,		
Net cash provided by (used in) operating activities	(11)	75
Net cash used in investing activities	(184)	(86)
Net cash provided by (used in) financing activities	20	(145)
Effect of exchange rate changes on cash and cash equivalents	(16)	12
Net decrease in cash and cash equivalents	(191)	(144)
Free cash flow	(126)	39
Free cash flow including restructuring payments, net *	(167)	17

* Net of proceeds from restructuring-related asset sales

Condensed business segment data ^(e) (unaudited)

(in millions of Swiss francs, except percentages)

Six months ended June 30,	2008	2007	Change in %		Six months ended June 30,	2008	2007
			CHF	LC ^(b)			
Net sales					Depreciation and amortization		
Plastic Additives	1 026	1 082	-5	+2	Plastic Additives	47	45
Coating Effects	879	940	-6	0	Coating Effects	54	52
Water & Paper Treatment	1 183	1 286	-8	-1	Water & Paper Treatment	62	72
Total	3 088	3 308	-7	0	Corporate	0	7
Operating income (EBIT) before restructuring charges					Operating income (EBIT) margin ^(c) before restructuring charges		
Plastic Additives	83	161	-48		Plastic Additives	8.1%	14.8%
Coating Effects	105	125	-16		Coating Effects	12.0%	13.3%
Water & Paper Treatment	24	46	-48		Water & Paper Treatment	2.0%	3.6%
Corporate and other expenses	(51)	(59)			Total	5.2%	8.2%
Total	161	273	-41				

Exchange rates of principal currencies to CHF (unaudited)

			Statement of income		Balance sheet	
			average rates for the		period-end rates	
			six months ended June 30,		Jun. 30,	Dec. 31,
			2008	2007	2008	2007
1	U.S. dollar	(USD)	1.05	1.23	1.02	1.14
1	British pound	(GBP)	2.08	2.42	2.03	2.25
1	Euro	(EUR)	1.61	1.63	1.61	1.66
100	Japanese yen	(JPY)	1.00	1.02	0.96	1.02
			Three months ended June 30,		Jun. 30,	Dec. 31,
			2008	2007	2008	2007
1	U.S. dollar	(USD)	1.03	1.22	1.02	1.14
1	British pound	(GBP)	2.03	2.43	2.03	2.25
1	Euro	(EUR)	1.61	1.65	1.61	1.66
100	Japanese yen	(JPY)	0.99	1.01	0.96	1.02

Notes to news release:

- (a) Restructuring refers to restructuring, impairment and other charges, substantially all of which have been incurred in connection with the impairment of the Water & Paper Treatment goodwill and the Operational Agenda (described in the Company's 2008 half-year report). The charges that are not allocated to the segments because they apply principally to the Company as a whole are included in Corporate. For the six months ended June 30, 2008, restructuring, impairment and other charges net of taxes of CHF 13 million would be CHF 625 million and for 2007 the amount net of taxes of CHF 20 million would be CHF 45 million.
- (b) Change in percent in local currencies (LC) reflects the percent change in (i) 2008 results, as adjusted to remove the effects of fluctuations in foreign currency rates as compared to 2007 and (ii) 2007 results, as reported.
- (c) Operating income margin is operating income expressed as a percentage of net sales.
- (d) Earnings per share, basic and diluted.
- (e) The Company is changing the structure of certain parts of its business in 2008, which will result in corresponding changes to financial reporting for the affected segments. These reporting changes will take effect at year-end December 31, 2008, once the Company's information management systems have been fully transferred to SAP.

Reconciliation tables (unaudited)

(in millions of Swiss francs, except per share data and percentages)

Free cash flow

Six months ended June 30,	2008	2007
Free cash flow	(126)	39
Restructuring payments, net *	(41)	(22)
Free cash flow including restructuring payments, net *	(167)	17
Net cash used in investing activities	184	86
Sale (acquisitions) of businesses, net of cash	(25)	(24)
Net cash provided by (used in) continuing operations	(8)	79

* Net of proceeds from restructuring-related asset sales.

Components of net debt

	June 30, 2008	Dec 31, 2007
Short-term debt	921	599
Long-term debt	1 746	1 980
Total debt	2 667	2 579
Cash and cash equivalents	(474)	(665)
Short-term investments	(2)	(1)
Net debt	2 191	1 913

Forward-looking statements

Forward-looking statements and information contained in this announcement are qualified in their entirety as there are certain important factors that could cause results to differ materially from those anticipated. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as "believe", "expect", "may", "are expected to", "will", "will continue", "should", "would be", "seek" or "anticipate" or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. Such statements reflect the current views and estimates of the Company with respect to market conditions and future events and are subject to certain risks, uncertainties and assumptions. Investors are cautioned that all forward-looking statements involve risks and uncertainty. In addition to the factors discussed above, among the factors that could cause actual results to differ materially are the following: the timing and strength of new product offerings, pricing strategies of competitors, introduction of competing products by other companies, lack of acceptance of new products and services by the Company's targeted customers, changes in the Company's business strategy, the Company's ability to continue to receive adequate raw materials from its suppliers on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs, and changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including currency fluctuations, inflation and consumer confidence, on a global, regional or national basis and various other factors. Furthermore, the Company does not assume any obligation to update these forward-looking statements.