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Basel, Switzerland

News Release: Half Year Results 2007

Ciba with further operational improvements

- **Sales up 2 percent in Swiss francs**
- **Operating income up 5 percent, despite higher raw material costs**
- **Actions taken in Water & Paper Treatment showing results**
- **Operational Agenda on track**

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

First half year to first half year comparison - continuing operations (unaudited)

Six months ended June 30,	Excluding restructuring charges^(b)				Including restructuring charges		
	2007	2006	Change in %		2007	2006	Change in %
			CHF	LC ^(a)			CHF
Net sales	3 308	3 236	+2	+1			
Gross profit	960	955	0				
Operating income (EBIT)	273	260	+5		208	227	-8
Operating income (EBIT) margin ^(d)	8.2%	8.0%					
Income from continuing operations	155	118	+32		110	96	+16
Earnings per share from continuing operations ^(e)	2.30	1.78	+30		1.64	1.45	+14
Free cash flow	39	3			17	(34)	

First half year to first half year comparison including discontinued operations and restructuring charges (unaudited)

Six months ended June 30,	2007	2006	Change in %
			CHF
Income from continuing operations	110	96	+16
Loss from discontinued operations, net of tax ^(c)	(7)	(298)	
Net income (loss)	103	(202)	
Net income (loss) per share ^(e)	1.53	(3.06)	

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

Armin Meyer, Chairman of the Board and CEO, comments: "The process of transforming the business made further progress in the first half, with improvements coming through in operational efficiency and the actions taken in the Water & Paper Treatment segment starting to show results. We saw significant increases in raw material costs in the first half, which we managed to offset with improvements in the cost structure, as well as selective sales price increases. The key focus for the second half is to continue to drive through more operational efficiencies, while pushing through additional sales price increases. Overall, with our good strategic positioning, the comprehensive actions taken and a strong start to the third quarter, we are confident that the targets for 2007 are within reach."

Brendan Cummins, Chief Operating Officer, comments: "The Operational Agenda program is well on track to achieve the expected CHF 60-70 million of savings in 2007. We have further rationalized the organization in the first half, with site closures in France, Finland and Brazil, and the consolidation of our operations in Malaysia and South America. The Lean Manufacturing initiative is also well advanced, with 17 of the 20 major sites now implementing concrete action plans to improve efficiency. Substantial savings in production costs are now coming through as a result. The introduction of new business processes and the SAP IT platform, which is running in the UK and Italy, went live successfully in Switzerland, Germany and Austria and around half of the business worldwide is now transacted through the new system."

Half Year Overview

Sales for the first six months of 2007 were CHF 3,308 million, up 2 percent in Swiss francs and 1 percent in local currencies (2006: CHF 3,236 million). Growth was impacted by the slower automotive and construction markets in NAFTA, particularly in the Coating Effects business, as well as some customer de-stocking in the converting industry in Japan which has now normalized. Sales were also negatively impacted by product pruning across the business to improve the quality of the portfolio. The third quarter has started well with strong July sales.

European sales increased by 6 percent in Swiss francs and 1 percent in local currencies, while sales in the Americas were 6 percent lower in Swiss francs and 3 percent lower in local currencies.

In Asia, sales were up 5 percent in Swiss francs and 7 percent in local currencies, with China again showing double digit growth.

Raw material costs increased 4 percent in the first half, with particularly significant increases experienced in petrochemicals and metal-derived raw materials. Volumes were 2 percent higher overall in the first half and sales prices on average were down slightly less than 1 percent. The Company continues to increase sales prices in areas impacted by the higher raw material costs. In addition, efforts are continuing to improve margins with firm cost management and continuous product pruning.

The currency effect for the six months was 1 percent positive – stemming mainly from the increased value of the Euro and the British pound, offsetting the weaker US dollar.

Operating income up 5 percent

Gross profit reached similar levels to the first half of 2006, at 29.0 percent of sales (2006: 29.5 percent), despite the heavy increases in raw material costs.

Selling, general and administrative expenses were lower than the first half of 2006, at CHF 521 million or 15.8 percent of sales (2006: CHF 526 million or 16.3 percent of sales), reflecting continued efforts to streamline costs.

Operating income (EBIT) before restructuring for the first six months was up 5 percent to CHF 273 million or 8.2 percent of sales (2006: CHF 260 million or 8.0 percent of sales), with improvements coming through from the Operational Agenda and Project Shape programs and active management of margins across the business.

Income from continuing operations before restructuring was 32 percent higher in the first half of 2007 at CHF 155 million (2006: CHF 118 million). In 2006, the Textile Effects and Masterbatch businesses were divested and the associated results are reported under discontinued operations. Including discontinued operations, net income increased to CHF 103 million (2006: CHF 202 million loss).

Savings on target for 2007

The Operational Agenda program, which was launched in 2006 to drive growth and improve the Company's cost structure, is well on track and savings are coming through as expected. The program comprises a number of initiatives in key areas including innovation, marketing and sales, lean manufacturing, a new company-wide system structure and the streamlining of operations worldwide.

In the first half, CHF 62 million of restructuring costs were incurred for the Operational Agenda.

For the full year 2007, the Company expects to incur CHF 90-100 million of restructuring charges relating to the Operational Agenda and achieve CHF 60-70 million of savings.

Overall headcount at the end of June 2007 was 13,849, down around 1,100 positions from June 2006 as a result of the Operational Agenda and Project Shape. 280 positions were reduced in the first half of 2007.

Overall, the Operational Agenda targets a 3 to 4 percent average annual sales growth rate in local currencies, with a CHF 400-500 million improvement in cost structure by 2009. As a result of the program, operating income margin is expected to increase by 1 percent of sales per year in 2007 and 2008, with an accelerated improvement thereafter. Free cash flow is also expected to increase substantially from 2008. As previously announced, costs for the program are estimated to be CHF 250-300 million between 2006 and 2009, and around 2,500 fewer positions will be required by 2009.

Additional savings from the Project Shape efficiency program were CHF 19 million in the first half of 2007. The program has achieved savings of CHF 114 million since its launch in 2004. The remaining CHF 11 million of savings to complete the CHF 125 million for the program are expected to come through in the third quarter.

Temporary increase in working capital in first half

Working capital was higher than the previous year at CHF 2,103 million (June 2006: CHF 1,985 million). This is primarily attributable to the temporary effect of the initiative to simplify processes, involving the roll-in of a new SAP IT platform. In particular, there was a considerable build up of inventories in advance of the go-live to support a smooth system transition. There was also an inventory build up in the Plastic Additives business for a significant order in the third quarter. The Company expects to return to normal levels of working capital in the second half.

Free cash flow for the first half was CHF 39 million (2006: CHF 3 million). This figure includes CHF 101 million from the sale of buildings at one of the Company's sites in Switzerland, announced in the first quarter. Most cash-outs, in particular interest payments, are made in the first half and free cash flow levels are therefore traditionally lower than in the second half. Free cash flow was also temporarily impacted by the increase in working capital in relation to the introduction of the

new SAP IT platform. The Company remains on track to improve free cash flow over 2006 levels for the year end.

Second quarter overview

2nd quarter to 2nd quarter comparison - continuing operations (unaudited)

Three months ended June 30,	<i>Excluding restructuring charges</i>				<i>Including restructuring charges</i>		
	2007	2006	Change in %		2007	2006	Change in %
			CHF	LC ^(a)			CHF
Net sales	1 649	1 617	+2	0			
Gross profit	484	487	-1				
Operating income (EBIT)	139	152	-8		77	145	-47
Operating income (EBIT) margin ^(a)	8.4%	9.3%					
Income from continuing operations	76	65	+17		33	60	-45
Earnings per share from continuing operations ^(a)	1.14	0.99	+15		0.50	0.92	-45

2nd quarter to 2nd quarter comparison including discontinued operations and restructuring charges (unaudited)

Three months ended June 30,	2007	2006	Change in %
			CHF
Income from continuing operations	33	60	-45
Loss from discontinued operations, net of tax ^(a)	(6)	(299)	
Net income (loss)	27	(239)	
Net income (loss) per share ^(a)	0.40	(3.61)	

Sales for the second quarter were CHF 1,649 million, up 2 percent in Swiss francs and flat in local currencies over the second quarter of 2006. There was strong growth in Europe and Asia, but continued weakness in NAFTA as a result of the slowing automotive and construction industries. Growth was also impacted by measures to prune low margin products across the Company and improve the quality of the portfolio.

Gross margin remains at similar levels to the second quarter of 2006, at 29.3 percent of sales (2006: 30.1 percent of sales), despite heavy increases in raw material costs.

Operating income before restructuring was CHF 139 million or 8.4 percent of sales (2006: CHF 152 million or 9.3 percent of sales). This drop was mainly a result of additional costs in the second quarter relating to the roll-out of new processes and the SAP IT platform, as well as a one time VAT provision, which together amounted to CHF 11 million in the second quarter. In the Water & Paper Treatment segment, the measures taken to turnaround the paper business have resulted in an improved operating income margin of 4.7 percent in the second quarter (2.4 percent in the first quarter of 2007).

Income from continuing operations before restructuring was up 17 percent to CHF 76 million (2006: CHF 65 million), reflecting primarily lower financial expenses.

Restructuring costs of CHF 62 million were incurred in the second quarter. Including discontinued operations, net income for the second quarter was CHF 27 million (2006: CHF 239 million loss).

Segment Overview

Plastic Additives

Sales in Plastic Additives for the first half of 2007 were CHF 1,082 million, up 1 percent in Swiss francs and local currencies. Growth slowed as a result of efforts to improve the margin quality of the product portfolio and was particularly impacted

by the decision to discontinue a range of low margin surface active additives for plastic (approximately 1 percent of the sales). Notable in the first half was very strong growth from the Home & Personal Care business. Volumes in the segment were 2 percent higher than the same period last year and sales prices were 1 percent lower overall, with some price pressure in the polymer business. Operating income margins remained strong at 14.8 percent of sales (2006: 14.3 percent), despite the heavy increases in raw materials costs.

Coating Effects

Sales in Coating Effects were CHF 940 million in the first six months, up 1 percent in Swiss francs and local currencies over the previous year. Growth in the segment was impacted by the slowdown of the automotive and construction industries in NAFTA, as well as an extensive program to prune products with low margins. Strong growth, however, was seen in the digital printing business. Segment volumes overall were 3 percent higher. Sales prices were 2 percent lower. There is a disproportionate impact on sales prices from the Electronic Materials business line, where products have a very short life cycle. A number of sales price increases across the remainder of the segment were initiated in the second quarter. Operating income margin remained at the same high level as the previous year at 13.3 percent of sales.

Water & Paper Treatment

Sales in Water & Paper Treatment were CHF 1,286 million for the first six months, up 4 percent in Swiss francs and 3 percent in local currencies. Volumes were 3 percent higher in the first half and sales prices were flat. A number of sales price increases were announced in the second quarter. Measures taken to restructure the Paper business into a new operating model are showing results as Segment profitability improved in the second quarter to 4.7 percent, from 2.4 percent in the first quarter. Two paper chemicals plants were closed during the first half. Profitability does however, remain an issue and therefore efforts are continuing to restore acceptable profitability levels. Overall, operating income margin was 3.6 percent in the first half (2006: 2.8 percent).

Delisting from the New York Stock Exchange

In July, the Company delisted from the New York Stock Exchange, in order to reduce administrative costs and complexity. The Company will maintain its ADR facility as a Level I program, allowing over-the-counter trading. Ciba remains committed to high standards in Corporate Governance, internal control and disclosure.

Innovation launches in first half

There were a number of new products launched in the first half, in particular a new range of pearl pigments for the cosmetics market. Another innovation launched during the period was a new laser marking system for the packaging industry, which allows the late addition of data such as bar codes and due dates, at high speed and without ink. The Company has also entered the printable electronics market with a new range of conductive inks for radio frequency identification antennas, packaging and graphic arts applications.

Commitment to reducing carbon emissions

The Company has long been committed to reducing the impact it has on the environment. Since 2000, the Company has reduced energy consumption and CO₂ emissions per tonne of product by 42 percent and 41 percent respectively. Tough targets are also set to increase the proportion of energy used from renewable sources. In the first half, the largest plant in the US began trialing the use of timber waste as an energy source. The trial was a success and as a result, by 2008 the plant will have replaced 20 percent of the plant's energy requirement that now comes from natural gas.

Outlook for 2007

With business conditions in the second half of 2007 similar to those in the previous year, sales for the full year are expected to increase over 2006 levels in local currencies. Before restructuring charges, operating income margin is expected to increase by about 1 percent. This assumes that raw material costs will not continue to rise as they did in the first half. Net income in Swiss francs, as well as free cash flow are both expected to be above 2006.

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 2006, the Company's continued operations generated sales of CHF 6.4 billion and invested CHF 270 million in R&D.

Virtual news kit: www.cibasc.com/media

- ***News release in full***
- ***Media presentation (available from 11:00 CET onwards)***
- ***Photos Ciba***

Financial calendar

- ***November 6, 2007: nine month 2007 financial results***
- ***February 8, 2008: full year 2007 financial results***
- ***March 7, 2008: Annual General Meeting***
- ***March 12, 2008: expected dividend payment date***
- ***April 29, 2008: first quarter 2008 financial results***
- ***August 21, 2008: half year 2008 financial results***
- ***November 5, 2008: nine month 2008 financial results***

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Ciba Specialty Chemicals

Half Year Report 2007

Consolidated financial highlights (unaudited)

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

Statements of income	Excluding restructuring charges ^(b)		Including restructuring charges	
	2007	2006	2007	2006
Six months ended June 30,				
Net sales	3 308	3 236	3 308	3 236
Gross profit	960	955	960	955
Restructuring, impairment and other charges ^(b)			(65)	(33)
Operating income (EBIT)	273	260	208	227
Financial income (expense), net	(56)	(89)	(56)	(89)
Income from continuing operations before income taxes and minority interest	217	171	152	138
Provision for income taxes	(58)	(45)	(38)	(34)
Minority interest	(4)	(8)	(4)	(8)
Income from continuing operations	155	118	110	96
Earnings per share from continuing operations ^(e)	2.30	1.78	1.64	1.45
Loss from discontinued operations, net of tax ^(c)			(7)	(298)
Loss per share from discontinued operations ^(e)			(0.11)	(4.51)
Net income (loss)			103	(202)
Net income (loss) per share ^(e)			1.53	(3.06)

Balance sheets	June 30, 2007	Dec 31, 2006
Current assets	3 722	3 554
Property, plant and equipment, net	2 503	2 576
Other long-term assets	3 096	2 951
Total assets	9 321	9 081
Current liabilities	1 619	1 566
Long-term liabilities	4 423	4 226
Minority interest	85	75
Shareholders' equity	3 194	3 214
Total liabilities and shareholders' equity	9 321	9 081
Net debt	2 120	1 854

Statements of cash flows

Six months ended June 30,	2007	2006
Net cash provided by operating activities	75	100
Net cash used in investing activities	(86)	(12)
Net cash used in financing activities	(145)	(286)
Effect of exchange rate changes on cash and cash equivalents	12	(5)
Net decrease in cash and cash equivalents	(144)	(203)
Free cash flow	39	3
Free cash flow including restructuring payments, net *	17	(34)

* Net of proceeds from restructuring-related asset sales in 2006

Condensed business segment data (unaudited)

(in millions of Swiss francs, except percentages)

Six months ended June 30,	2007	2006	Change in %		Six months ended June 30,	2007	2006
			CHF	LC ^(a)			
Net sales					Depreciation and amortization		
Plastic Additives	1 082	1 074	+1	+1	Plastic Additives	45	50
Coating Effects	940	930	+1	+1	Coating Effects	52	53
Water & Paper Treatment	1 286	1 232	+4	+3	Water & Paper Treatment	72	75
Total	3 308	3 236	+2	+1	Corporate	7	2
Operating income (EBIT) before restructuring charges					Operating income (EBIT) margin^(d) before restructuring charges		
Plastic Additives	161	153	+4		Plastic Additives	14.8%	14.3%
Coating Effects	125	123	+1		Coating Effects	13.3%	13.3%
Water & Paper Treatment	46	35	+31		Water & Paper Treatment	3.6%	2.8%
Corporate and other expenses	(59)	(51)			Total	8.2%	8.0%
Total	273	260	+5				

Exchange rates of principal currencies to CHF (unaudited)

			Statement of income		Balance sheet	
			average rates		period-end rates	
			Six months ended June 30,		Jun. 30,	Dec. 31,
			2007	2006	2007	2006
1	U.S. dollar	(USD)	1.23	1.27	1.23	1.21
1	British pound	(GBP)	2.42	2.27	2.45	2.38
1	Euro	(EUR)	1.63	1.56	1.65	1.60
100	Japanese yen	(JPY)	1.02	1.10	1.00	1.03

			Three months ended June 30,		Jun. 30,		Dec. 31,	
					2007		2006	
			2007	2006	2007	2006		
1	U.S. dollar	(USD)	1.22	1.25	1.23	1.21		
1	British pound	(GBP)	2.43	2.27	2.45	2.38		
1	Euro	(EUR)	1.65	1.56	1.65	1.60		
100	Japanese yen	(JPY)	1.01	1.09	1.00	1.03		

Notes to news release:

- (a) Change in percent in local currencies (LC) reflects the percent change in (i) 2007 results, as adjusted to remove the effects of fluctuations in foreign currency rates as compared to 2006 and (ii) 2006 results, as reported.
- (b) Restructuring charges refers to restructuring, impairment and other charges incurred in connection with the Operational Agenda (2007 only) and Project Shape, each of which is described in the Company's 2006 annual 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 2007, restructuring, impairment and other charges net of taxes of CHF 20 million would be CHF 45 million and for 2006, restructuring, impairment and other charges net of taxes of CHF 11 million would be CHF 22 million.
- (c) Loss from discontinued operations, net of tax, in 2007 consists of costs incurred by the Company attributable to the Textile Effects and Masterbatch businesses that were disposed of in June and November 2006, respectively. Loss from discontinued operations, net of tax, in 2006 consists of the results of operations, net of tax, of the Textile Effects and Masterbatch businesses as well as CHF 2 million of costs attributable to the Performance Polymers business that was divested in 2000.
- (d) Operating income margin is operating income expressed as a percentage of net sales.
- (e) Earnings per share, basic and diluted

Reconciliation tables (unaudited)

(in millions of Swiss francs)

Free cash flow

Six months ended June 30,	2007	2006
Free cash flow	39	3
Restructuring payments, net *	(22)	(37)
Free cash flow including restructuring payments, net *	17	(34)
Net cash used in investing activities	86	5
Sale (acquisitions) of businesses, net of cash	(24)	138
Net cash provided by continuing operations	79	109

* Net of proceeds from restructuring-related asset sales in 2006.

Components of net debt

	June 30, 2007	Dec 31, 2006
Short-term debt	204	173
Long-term debt	2 802	2 709
Total debt	3 006	2 882
Cash and cash equivalents	(883)	(1 027)
Short-term investments	(3)	(1)
Net debt	2 120	1 854

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.