



Ciba Inc.
February 8, 2008
Basel, Switzerland

News Release: Full year results – December 31, 2007

Ciba delivers net income of CHF 237 million

- *Sales increased 3% in Swiss francs*
- *Operating income up 4%*
- *Continued improvement in Water & Paper Treatment*
- *Operational Agenda generated substantial cost savings*
- *In 2008, strong focus on margin management and new innovation approach*
- *Outlook 2008: Sales growth in line with GDP; operating income to increase by around 10% and free cash flow by around 20%*

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

Full year to full year comparison - continuing operations

Year ended December 31,	Excluding restructuring ^(a) & one-time tax item ^(b)				Including restructuring & one-time tax item		
	2007	2006	Change in %		2007	2006	Change in %
			CHF	LC ^(c)			
Net sales	6 523	6 352	+3	+2			
Gross profit	1 874	1 849	+1				
Operating income (EBIT)	552	531	+4		434	462	-6
Operating income (EBIT) margin ^(d)	8.5%	8.4%					
Income from continuing operations	311	306	+1		220	259	-15
Earnings per share from continuing operations ^(e)	4.62	4.62	0		3.27	3.91	-16
Free cash flow	300	195					

Full year to full year comparison including discontinued operations, restructuring & one-time tax item

Year ended December 31,	2007	2006
Income from continuing operations	220	259
Income (loss) from discontinued operations, net of tax ^(f)	17	(300)
Net income (loss)	237	(41)
Net income (loss) per share ^(e)	3.53	(0.63)

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

Armin Meyer, Chairman of the Board, comments: "We are seeing the results of the strategic repositioning of the Company and its focused portfolio, with a 4 percent improvement in operating income before restructuring and CHF 237 million of net income in 2007. As of January 1, 2008, Brendan Cummins took over as the new Chief Executive Officer, leading Ciba into the future, together with a strong team, including the new CFO Jürg Fedier, and the recently appointed Head of the Coating Effects Segment, Thomas Engelhardt."

Brendan Cummins, Chief Executive Officer, comments: "We made important progress in 2007, improving our financial performance and implementing the Operational Agenda. The new SAP system is now up and running in around 80 percent of the Company and we have further streamlined our operations and developed a new concept for innovation.

The key priorities for 2008 are margin management and ensuring we achieve optimal value for our products. We will maintain our cost reduction efforts and continue a differentiated approach on prices and volumes, with selective price increases, as well as volume growth strategies to gain market share where appropriate. In addition, we will withdraw unprofitable product ranges in order to improve margins. With a new approach to innovation, we will focus more effectively on technologies with the highest growth and profit potential.

We are anticipating that 2008 will be another demanding year for the specialty chemicals sector, as the outlook for the economy is uncertain and raw material costs are expected to remain high, but I am confident we will nevertheless continue to deliver improvements in our cost structure and profitable growth in our chosen markets."

Full Year Results 2007 – Overview

Sales growth driven by Asia

Sales for the full year reached CHF 6,523 million, 3 percent higher in Swiss francs and 2 percent higher in local currencies than the previous year (2006: CHF 6,352 million). Asia continued to show strong growth, up 7 percent in local currencies over 2006, with China again delivering double-digit growth rates. In Europe, where Germany and Eastern Europe showed good growth, overall sales were slightly higher. Central and South America both continued with good growth trends, however Canada was weaker. The US saw stronger sales in the second half, and for the full year sales were on par with 2006, despite some impact from the slow automotive and construction industries. Nevertheless overall, the decrease in sales for the Americas was less than 1 percent in local currencies.

The currency effect for the year was 1 percent positive, with the stronger euro and British pound offsetting the weaker US dollar.

Sales prices including sales from products less than one year old, were 1 percent higher than 2006; excluding these new products, they were 1 percent lower. Volumes overall were 3 percent higher.

Operating income margin improved despite very high raw material costs

Gross profit was 1 percent higher at CHF 1,874 million (2006: CHF 1,849 million). Gross profit margin reached 28.7 percent (2006: 29.1 percent). Operating income (EBIT) before restructuring improved 4 percent in 2007 to CHF 552 million (2006: CHF 531 million). Operating income margin before restructuring increased to 8.5 percent for the full year (2006: 8.4 percent).

Efforts from the Operational Agenda to improve efficiency, reduce costs and manage margins more than compensated for raw material cost increases of around 3 percent. Profitability in Plastic Additives remained high, and the actions taken in Water & Paper Treatment continued to deliver improvements from quarter to quarter. Coating Effects continued to withstand much of the impact of the slowdown in the automotive and construction sectors in NAFTA, but faced some

exceptionally high raw material costs and an impact on margins in the fourth quarter from targeted, short-term shutdowns of several production units.

Income from continuing operations for 2007 before restructuring and one-time tax item, was CHF 311 million, up 1 percent (2006: CHF 306 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 for the year was CHF 237 million (2006: CHF 41 million loss).

Free cash flow increased to CHF 300 million (2006: CHF 195 million). Net debt was up slightly to CHF 1,913 million (2006: CHF 1,854 million).

Fourth Quarter Overview

Three months ended December 31,	<i>4th quarter to 4th quarter comparison - continuing operations (unaudited)</i>				<i>Including restructuring & one-time tax item</i>		
	<i>Excluding restructuring ^(a) & one-time tax item ^(b)</i>		<i>Change in %</i>		<i>2007</i>	<i>2006</i>	<i>Change in %</i>
	<i>2007</i>	<i>2006</i>	<i>CHF</i>	<i>LC ^(c)</i>			
Net sales	1 577	1 547	+2	+2			
Gross profit	443	430	+3				
Operating income (EBIT)	129	117	+10		104	97	+7
Operating income (EBIT) margin ^(d)	8.2%	7.6%					
Income from continuing operations	71	95	-26		59	81	-27
Earnings per share from continuing operations ^(e)	1.04	1.43	-27		0.88	1.21	-28

4th quarter to 4th quarter comparison including discontinued operations, restructuring & one-time tax item (unaudited)

Three months ended December 31,	2007	2006
Income from continuing operations	59	81
Income from discontinued operations, net of tax ^(f)	25	3
Net income	84	84
Net income per share ^(e)	1.26	1.27

Improved margins in the fourth quarter

Fourth quarter sales reached CHF 1,577 million (2006: CHF 1,547 million), an increase of 2 percent in both Swiss francs and local currencies, as the stronger European currencies offset the weakness of the US dollar. Asia continued to grow strongly by 9 percent in local currencies, while Europe and the Americas were on a par with the fourth quarter of 2006. Sales prices including products less than one year old were 1 percent higher than the fourth quarter of 2006; excluding these new products, they were 2 percent lower. Volumes overall increased 4 percent.

Gross profit increased 3 percent compared to the fourth quarter of 2006 to CHF 443 million (2006: CHF 430 million). Gross profit margin rose to 28.0 percent (2006: 27.8 percent).

Operating income (EBIT) before restructuring was 10 percent higher at CHF 129 million (2006: CHF 117 million), increasing the operating income margin to 8.2 percent (2006: 7.6 percent). This reflects improvements in the cost structure and a strong focus on margin management, which included selective price increases and decisions to walk away from less profitable business.

Income from continuing operations before restructuring and one-time tax item, was CHF 71 million (2006, at CHF 95 million, included the dissolution of some tax provisions in connection with the settlement of tax claims).

Net income for the fourth quarter was CHF 84 million (2006: CHF 84 million).

Operational Agenda: substantial savings in 2007

The Operational Agenda program is well on track and in 2007, savings of over CHF 95 million were achieved, higher than the originally anticipated CHF 60-70 million. The program was launched mid-2006 to drive growth and improve the Company's cost structure by CHF 400-500 million by 2009, with anticipated restructuring costs of CHF 250-300 million between 2006 and 2009. CHF 118 million of restructuring costs were incurred for the Operational Agenda in 2007. Approximately 1,100 positions have been reduced since the beginning of 2006; thereof approximately 750 positions were reduced in 2007, mostly in the second half. Overall headcount at the end of December 2007 was 13,319 (2006: 14,130).

The program comprises a number of initiatives in key areas, including innovation, marketing and sales, lean manufacturing, a new company-wide SAP system and the streamlining of Company worldwide operations.

A number of legal entities and offices were consolidated as part of the geographical footprint initiative, and three production sites were closed. With the Lean Manufacturing initiative, all major sites are implementing actions to improve efficiency, and substantial savings in production costs are already coming through. The new global SAP system was successfully rolled out in most parts of Europe and in the Americas, and now covers around 80 percent of the Company's operations. As part of its marketing and sales initiative, Ciba implemented a new pricing model across the Company, enabling more consistent pricing management with a clearer focus on profitability, and dove-tailing with the 2008 focus on margin management.

New approach to innovation – sharpened focus on growth and profit potential

In 2007, the concept phase of the Operational Agenda's innovation initiative was concluded. A new approach to innovation will be driven by targeted resource allocation to technology areas with the highest growth and profit potential. To ensure greater focus and efficiency, existing resources are being consolidated into six cross-company research centers that will focus on Ciba's core technologies: Protection and Stabilization, Color, Solid/Liquid Separation, Paper Strength and Coating, Interphase and Rheology, and Polymerization and Curing Agents. These research centers are being complemented by process development centers, industry-focused application centers and regional technical centers.

A New Growth Platform is also being established to drive growth beyond Ciba's current core technologies by pursuing high-potential emerging technologies and establishing new business opportunities. In addition, cooperation with external research partners will be further expanded. Ciba intends to continue to invest around CHF 260 to 270 million per year in Research & Development. The new innovation organization will be implemented in 2008.

2007 Segment Overview

Plastic Additives

Sales in Plastic Additives reached CHF 2,161 million, 3 percent higher over the previous year in Swiss francs as well as in local currencies. The high demand for polymer stabilizers offset the impact of the deliberate decision to discontinue the Atmer product range in the second quarter 2007. The lubricant additives as well as the personal care businesses showed very strong growth.

With its strong focus on margin management, before restructuring, the Segment was able to maintain the previous year's high operating income margin level of 14.9 percent and increase its operating income by 3 percent over 2006. The implementation of distinct business models; targeted product pruning and strategic sales price management all helped to increase the profit contribution from newer products. The newly built antioxidant plant in Singapore is on track to begin production in March 2008. It will strengthen the Company's cost leadership position in plastic additives and help supply markets in Asia and the Middle East more efficiently.

Coating Effects

Coating Effects sales increased 2 percent in both Swiss francs and in local currencies, to CHF 1,837 million, with good growth in the plastics and digital printing businesses. The Segment continued to withstand much of the impact of the slowdown in the automotive and construction sectors in NAFTA, which affected sales in the coating additives and pigments areas. Sales growth was strong in Asia and Europe mainly flat.

The Segment's operating income margin before restructuring of 11.9 percent (2006: 13.6 percent) was, however, still impacted by the situation in NAFTA and some slowdown in Germany, as well as by increased and exceptionally high raw material costs and lower margins in the publication inks and the electronic materials business, which have short product life cycles. In the fourth quarter, the temporary shut-down of production units caused some unabsorbed costs. On the other side, the digital printing and effect pigments businesses developed well and contributed significantly to the results. The new production facility in Nanjing, China, for high-performance pigments will support the Company's strong position in Asia and is planned to go live this summer.

Water & Paper Treatment

Water & Paper Treatment sales increased 3 percent in Swiss francs and 1 percent in local currencies to CHF 2,525 million, driven by growth in Asia and Europe. The turnaround measures to restore profitability in the paper chemicals business, primarily a new marketing & sales business model, rigorous cost control, and closures of some production units, drove a significant increase in the Segment's operating income margin before restructuring to 4.6 percent (2006: 3.3 percent). The improvement trend continued in all quarters in 2007, with a fourth quarter margin before restructuring of 6.0 percent (Q1: 2.4 percent; Q2: 4.7 percent; Q3: 5.4 percent). The results reflect the strong strategic focus on improving profitability before growing sales, which also led to the deliberate decision to walk away from less profitable businesses.

In Asia, where the Segment's specialty paper chemicals facilitate improved speed of paper production, demand continued to grow. The capacity for specific paper chemicals was expanded in Zhenjiang, China, in 2007. The European and NAFTA

markets remained relatively flat. The Water Treatment business developed well during the period, especially in the mining sector.

Change in the Board of Directors

Uli Sigg has decided to resign from the Board of Directors of Ciba, after nine years as a member, in order to reduce his time commitments. The Board has decided not to propose a replacement for election at the Annual General Meeting on March 7, 2008.

Armin Meyer, Chairman of the Board: "I thank Uli Sigg for his dedicated and competent contributions to the Board of Directors and wish him all the best."

CHF 2.50 per share dividend proposed

The Board of Directors has decided to propose a slightly reduced dividend of CHF 2.50 per share at the AGM on March 7, 2008.

Outlook

Ciba expects 2008 to be another demanding year for the specialty chemicals sector, as the outlook for the economy is uncertain and raw material costs are expected to remain high. However, assuming no significant deterioration in global business conditions, the Company believes that it will achieve sustainable sales growth in local currencies in line with global gross domestic product (GDP), as well as an increase in operating income of around 10 percent and an increase in free cash flow of around 20 percent.

Brendan Cummins, CEO, comments: "We are committed to creating value for our shareholders, ensuring that each business in the portfolio delivers a return on investment that exceeds the cost of capital. We will focus our capital and innovation investments on those industries, technologies and geographies that offer attractive returns and build upon our core business strengths. Going forward, the Company aims to grow annual sales in line with GDP and increase operating income by around 10 percent per year. We also expect further significant improvements in free cash flow after 2008. This will be achieved with the focused implementation of the Operational Agenda, decisive margin management, leveraging our innovation power, driving operational excellence and the continued optimization of our working capital."

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 CHF 262 million in R&D.

Virtual news kit: www.ciba.com/media

- **News release in full (PDF, including tables)**
- **Annual report 2007 (PDF)**
- **Media presentation (PDF)**
- **Photos Ciba**

Financial calendar

- **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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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.

Ciba Full year report 2007

Consolidated financial highlights

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

Statements of income	Excluding restructuring^(a) & one-time tax item^(b)		Including restructuring & one-time tax item	
	2007	2006	2007	2006
Year ended December 31,				
Net sales	6 523	6 352	6 523	6 352
Gross profit	1 874	1 849	1 874	1 849
Restructuring, impairment and other charges ^(a)			(118)	(69)
Operating income (EBIT)	552	531	434	462
Financial income (expense), net	(125)	(161)	(125)	(161)
Income from continuing operations before income taxes and minority interest	427	370	309	301
Provision for income taxes	(111)	(61)	(84)	(39)
Minority interest	(5)	(3)	(5)	(3)
Income from continuing operations	311	306	220	259
Earnings per share from continuing operations^(e)	4.62	4.62	3.27	3.91
Income (loss) from discontinued operations, net of tax ^(f)			17	(300)
Income (loss) per share from discontinued operations ^(e)			0.26	(4.54)
Net income (loss)			237	(41)
Net income (loss) per share^(e)			3.53	(0.63)

Balance sheets	Dec. 31, 2007	Dec. 31, 2006
Current assets	3 340	3 554
Property, plant and equipment, net	2 426	2 576
Other long-term assets	3 022	2 951
Total assets	8 788	9 081
Current liabilities	1 972	1 566
Long-term liabilities	3 431	4 226
Minority interest	80	75
Shareholders' equity	3 305	3 214
Total liabilities and shareholders' equity	8 788	9 081
Net debt	1 913	1 854

Statements of cash flows

Year ended December 31,	2007	2006
Net cash provided by operating activities	494	422
Net cash used in investing activities	(304)	(159)
Net cash used in financing activities	(563)	(491)
Effect of exchange rate changes on cash and cash equivalents	11	4
Net decrease in cash and cash equivalents	(362)	(224)
Free cash flow	300	195

Restructuring & one-time tax item affecting results

	Year ended December 31,		Three months ended December 31,	
	2007	2006	2007	2006
Restructuring, impairment and other charges, net of tax ^(a)	82	47	18	14
Effect of tax rate changes ^(b)	9	0	(6)	0
Total	91	47	12	14
Impact on earnings per share ^(e)	1.35	0.71	0.16	0.22

Condensed business segment data

(in millions of Swiss francs, except percentages)

Year ended December 31,	2007	2006	Change in %		Year ended December 31,	2007	2006
			CHF	LC ^(c)			
Net sales					Depreciation and amortization		
Plastic Additives	2 161	2 090	+3	+3	Plastic Additives	96	98
Coating Effects	1 837	1 801	+2	+2	Coating Effects	110	105
Water & Paper Treatment	2 525	2 461	+3	+1	Water & Paper Treatment	148	150
Total	6 523	6 352	+3	+2	Corporate	3	6
Operating income (EBIT) before restructuring charges					Operating income (EBIT) margin ^(d) before restructuring charges		
Plastic Additives	323	312	+3		Plastic Additives	14.9%	14.9%
Coating Effects	219	244	-10		Coating Effects	11.9%	13.6%
Water & Paper Treatment	116	81	+43		Water & Paper Treatment	4.6%	3.3%
Corporate and other expenses	(106)	(106)			Total	8.5%	8.4%
Total	552	531	+4				
Research and development							
Plastic Additives	96	97	-1				
Coating Effects	100	105	-5				
Water & Paper Treatment	41	45	-8				
Corporate	25	23					
Total	262	270	-3				

Exchange rates of principal currencies to CHF

			Statement of income		Balance sheet	
			average rates		period-end rates	
			Year ended December 31,	Year ended December 31,	Dec. 31,	Dec. 31,
			2007	2006	2007	2006
1	U.S. dollar	(USD)	1.20	1.25	1.14	1.21
1	British pound	(GBP)	2.40	2.31	2.25	2.38
1	Euro	(EUR)	1.64	1.57	1.66	1.60
100	Japanese yen	(JPY)	1.02	1.08	1.02	1.03
			Three months ended December 31,		Dec. 31,	Dec. 31,
			2007	2006	2007	2006
1	U.S. dollar	(USD)	1.15	1.24	1.14	1.21
1	British pound	(GBP)	2.35	2.36	2.25	2.38
1	Euro	(EUR)	1.66	1.59	1.66	1.60
100	Japanese yen	(JPY)	1.01	1.05	1.02	1.03

Notes to news release:

- (a) Restructuring refers to restructuring, impairment and other charges incurred in connection with the Operational Agenda (described in the Company's 2007 annual report) and Project Shape (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 the year ended December 31, 2007, restructuring, impairment and other charges net of taxes of CHF 36 million would be CHF 82 million and for 2006 the amount net of taxes of CHF 22 million would be CHF 47 million. For the three months ended December 31, 2007, restructuring, impairment and other charges net of taxes of CHF 7 million would be CHF 18 million and for 2006 the amount net of taxes of CHF 6 million would be CHF 14 million.
- (b) During 2007, certain tax jurisdictions in which the Company operates enacted legislation to decrease tax rates effective in 2008. The revaluation of deferred tax assets and liabilities using these new tax rates resulted in a CHF 9 million net increase in income tax expense for full-year 2007, mostly in Germany partially offset by tax expense decreases, mostly in Italy. As a result, the Company's full-year 2007 effective income tax rate increased by 3 percent to 27 percent and the 4th quarter 2007 rate decreased by 10 percent to 11 percent.
- (c) 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.
- (d) Operating income margin is operating income expressed as a percentage of net sales.
- (e) Earnings per share, basic and diluted.
- (f) Income from discontinued operations, net of tax, in 2007 results from the release of certain tax reserves that had existed in connection with the Company's divestment of the Performance Polymers business in 2000 following the settlement of tax audits in 2007. This was partially offset by costs incurred by the Company attributable to the Textile Effects and Masterbatch businesses that were disposed of in June 2006 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.

Reconciliation tables

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

Free cash flow

Year ended December 31,	2007	2006
Free cash flow	300	195
Restructuring payments, net *	(74)	(68)
Net cash used in investing activities	304	151
Sale (acquisitions) of businesses, net of cash	(29)	192
Net cash provided by continuing operations	501	470

* Net of proceeds from restructuring-related asset sales in 2007 and 2006.

Components of net debt

	Dec. 31, 2007	Dec. 31, 2006
Short-term debt	599	173
Long-term debt	1 980	2 709
Total debt	2 579	2 882
Cash and cash equivalents	(665)	(1 027)
Short-term investments	(1)	(1)
Net debt	1 913	1 854