

Lance Whitney, Information Technology, USA; Steve Walmsley, Environment, Health & Safety, UK; Christopher Wain, Process Development, UK; Ted Wilson, Finance, New Zealand; Annie Theunissen, Supply & Demand, The Netherlands; James Wang, Sales & Marketing, Taiwan; Lutz Völlger, Technical Operations, Taiwan; Marie-Lou Z'graggen, People Development, Switzerland; Esnaini Subari, Finance, Malaysia; Joëlle Truilhé, Finance, France; Hongbin Zhang, Sales & Marketing, Switzerland; Linda Walters, Human Resources, South Africa; Marc Vertonghen, Supply Chain, Belgium; Josef Pühr, Production, Austria; Maureen Walsh, Site Engineering, UK; Frank Wan, Research & Development, China; Holly Xiong, Sales & Marketing, China; Maarten Zuiderduin, Account Management, Belgium; Renate Uebelher, Business Services, Austria; Ken Tan, Sales, Australia; Alan Stevenson, Supply & Demand, UK; Josef Schimann, Engineering, Austria; Astrid Sánchez, Supply Chain, Panama; Eduard Puigvehi, Sales & Marketing, Spain; Antoni Pradas, Supply Chain, Spain; Haijiang Pan, Production, China; Erin Osborne, Engineering, Australia; Junaidi Muhamad Zen, Technical Center, Singapore; Gurses Oner, Sales & Marketing, Turkey; Aldo Oliveira, Technical Purchasing, Brazil; Zhongyi Mou, Engineering, China; Bruno Martini, Sales & Marketing, Austria; Ian Macefield, Sales & Marketing, UK; Ronald Visser, Sales & Marketing, Belgium; Lynn Lyons, Research & Development, UK; David Kryl, Production, China; Melissa Jackaman, Technical Operations, Australia; Andy He, Sales & Marketing, China; Ivanov Konstantin, Sales, Austria; Ellen Groombridge, Accounting & Control, UK; Maria Gavrilidou, Supply Chain, Greece; Héctor Galicia, Automation, Mexico; Dawn Foley, Quality Assurance, UK; Araceli Flores, Purchasing, Mexico; Paul Ferrier, Manufacturing, UK; Bob Eveland, Technical Operations, USA; Celso Duarte, Supply Chain, Brazil; Shiquan Ding, Production, China; Brian Davidson, Finance, Canada; John Danily, Environment, Health & Safety, Australia; Christine Dalkrani, Finance, Greece; Frank Crisafio, Technical Operations, Australia; Felipe Coca, Environment, Health & Safety, Mexico; Harald Chrobaczek, Research & Development, Germany; Su Lee Chong, Sales & Marketing, Singapore; Wai Kit Cheong, Account Management, Malaysia; Russell Brown, Account Management, Australia; Gerhard Bert, Sales & Marketing, Germany; Scott Bai, Account Management, China; Carla Atsma, Technical Services, The Netherlands; Wouter Alluyn, Ciba® Expert Services, Belgium; María Teresa Alegría, Environment, Health & Safety, Mexico; Marco Breschi, Sales & Marketing, South Africa; Gunna Ahmed, Demand, Supply & Inventory, UK; Nico Aelmans, Research & Development, Belgium; Stephen Adkins, Research & Development, UK; Thomas Boss, Finance & Control, Bahrain; Giorgio Macor, Business Development, Italy; Severin Müller, Ciba® Expert Services, Switzerland; Maria Li, Sales & Marketing, China; Tiina Luttikhedde, Research & Development, Finland; Robina Tuxford, Administration, Australia; Viktor Kramer, Production, Germany; Asli Sagkol, Production, Germany; Mia Lindström, Technical Operations, Finland; Willa Washington, Site Infrastructure Services, USA; Guillermo Vazquez, Production, Mexico; Karen Nichols, Voice & Video, USA; Silvia Gouveia, Customer Technical Services, Brazil; Margot Clauss, General Client Services, Switzerland; Ranjan Jain, Purchasing, India; Hector Carrillo, Maintenance, Mexico; Doug Braham, Technical Services, Australia; Devan Govender, Technical Services, South Africa; Rob Farrugia, Technical Operations, Australia; Isabel Hirschmuller, Sales & Marketing, Switzerland; Simon Lawrence, Product Safety, Switzerland; Frank Guo, Business Development, China; Petros Anastasiou, Finance, Greece; Marcos Vega, Supply Chain, Mexico; Sandra Troncon, Customer Services, Belgium; Bill Abey, Accounting, Australia; Brenda Ambrose, Supply Chain, USA; Anders Andén, Accounting, Sweden; Malu Arrioja, Process & Technology, Mexico; Jutta Kern, Group Communications, Switzerland; Stephen Scammell, Sales & Marketing, Australia; Ester Blom, Maintenance & Engineering, The Netherlands; Bert Broek, Sales, Belgium; Aycan Ergec, Sales & Marketing, Turkey; Christine Frost, Finance, Australia; Oliver von Allmen, Controlling, Switzerland; Avesha Gounden, Supply Chain, South Africa; Erman Ergin, Sales & Marketing, Turkey; Jane Azzopardi, Supply Chain, Australia; Barbro Guse, Sales & Marketing, Sweden; Andrey Inozemtsev, Sales Management, Ukraine; Beatrice Lächler, Human Resources, Switzerland; Karl Lagman, Production, New Zealand; Annika Loeb, Supply Chain, Sweden; Adriano Morais, Facility Management, Portugal; Keith Parker, Sales, Australia; Robert Atanasovski, Production, Australia; Tim Adams, Information Technology, USA; Helen Aggelidis, Finance, Australia; Elizabeth Amézquita, Process & Technology, Mexico; José Luis Arellano, Site Services, Mexico; Steven Xu, Business Support Center, China; Camille Bovy, Information Technology, The Netherlands; Karine Adhumeau, Marketing Communications, Switzerland; Noorul Azwin, Purchasing & Logistics, Malaysia; Tom Barber, Regulatory Services, USA; Thorsten Bauer, Business Development, The Netherlands; Fabrice Bauters, Sales, Belgium; Michael Beyer, Finance, Australia; Jay Bezek, Supply Chain, USA; Pelle Bles, Finance, The Netherlands; Glenda Bodenheimer, Ciba® Expert Services, USA; Rob Bos, Quality Control, The Netherlands; Khalid Boughardain, Marketing, Belgium; Cheryl Vermaak, Supply Chain, South Africa; Chir Bours, Technical Center, The Netherlands; Madeline Tan, Sales & Marketing, Singapore; Diana Lagalante, Marketing Communications, Switzerland; Debbie Braham, Customer Care, Australia; Pierre Braken, Research & Development, The Netherlands; Jason Atkinson, Information Technology, Australia; Enid Bonilla, Supply Chain, USA; Sibel Can, Research & Development, Turkey; Stuart Carliell, Finance, South Africa; Ismail Çerçioğlu, Sales & Marketing, Turkey; John Lee, Supply Chain, China; John Cromb, Information Technology, Belgium; Yves Christiaens, Sales Management, Benelux; Frank Colaci, Account Management, Australia; Wendy Cromhout, Information Management, South Africa; Eric Danton, Supply Chain, Australia; Frank Decabooter, Research & Development, Belgium; Mattias Landgren, Supply Chain, Sweden; Scott Bower, Production, USA; Graham Dickinson, Environment, Health & Safety, Australia; Fikret Durmuşoğlu, Sales & Marketing, Turkey; Matthew Domingue, Information Technology, Australia; Ondina Fernandes, Supply Chain, Portugal; Arturo Vergara, Human Resources, Mexico; Gudrun Forsén, Finance, Sweden; Lars Hjortsberg, Sales, Sweden; Fernando Ribeiro, Sales, Portugal; Alie Boschma, Business Control, The Netherlands; Artur Rocha, Supply Chain, Portugal; Max Schweizer, Sales & Marketing, Singapore; Dean Zhou, Strategic Sourcing, China; Louis Tsai, Sales, Taipei; Marianne Bruun, Supply Chain, Sweden; John Gerring, Human Resources, Australia



TOGETHER



NEW FLAME RETARDANTS ACHIEVE OEKO-TEX STANDARD 100 + + + CHF 3 PAYOUT TO SHAREHOLDERS FOR



Elements are just elements – but when you assemble them into a functional molecule, you get the wonders of chemistry. It's the same with our business: bring things together and something amazing happens.”

SILVIA GOUVEIA, Customer Technical Services, Brazil

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FINANCIAL SUMMARY 2004

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

Year ended December 31,	2004	2003
STATEMENTS OF INCOME		
Net sales	7 027	6 646
Gross profit	2 171	2 067
Operating income before restructuring and special charges	610	571
Restructuring and special charges ^(a)	(91)	0
Operating income	519	571
Financial income and expense, net	(147)	(132)
Income from continuing operations before income taxes and minority interest	372	439
Provision for income taxes	(85)	(74)
Minority interest	(4)	(5)
Income from continuing operations	283	360
Income from discontinued operations, net of tax ^(b)	28	0
Cumulative effect of change in accounting principles, net of tax	0	(16)
Net income	311	344
Net income before restructuring and special charges^(a)	379	344
EBITDA before restructuring and special charges^(d)	1 004	937
Earnings per share, basic and diluted		
Continuing operations	4.28	5.26
Discontinued operations	0.43	0.00
Cumulative effect of change in accounting principles	0.00	(0.23)
Net income per share	4.71	5.03

PLASTIC ADDITIVES (PA)

Plastic Additives offers products and solutions for the plastics, lubricant, home & fabric care and personal care industries. Its products make materials more stable during processing, boosting industrial efficiency. Furthermore, they improve the performance, stability and cost-efficiency of many industrial and consumer products – protecting, enhancing and making a difference.

COATING EFFECTS (CE)

Coating Effects creates color, stability and environmental performance products and solutions for the coatings, printing, imaging, plastics, synthetic fibers, electronics and information technology industries. It also produces organic pigments and functional dyes for information storage, as well as photoinitiators, which harness light to drive chemical reactions and light stabilizers, which protect materials from light-driven degradation.

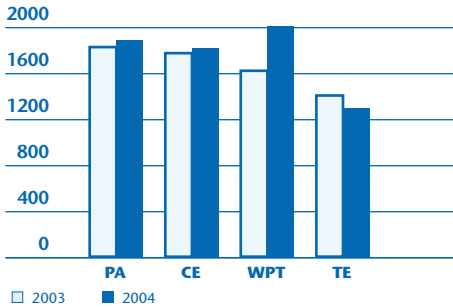
December 31,	2004	2003
BALANCE SHEETS		
Current assets	4 382	4 939
Property, plant and equipment, net	3 015	2 963
Other long-term assets	3 609	3 196
Total assets	11 006	11 098
Current liabilities	2 140	1 780
Long-term liabilities	4 647	5 011
Minority interest	68	62
Shareholders' equity	4 151	4 245
Total liabilities and shareholders' equity	11 006	11 098

Year ended December 31,	2004	2003
STATEMENTS OF CASH FLOWS		
Net cash provided by operating activities	631	1 033
Net cash used in investing activities	(1 051)	(239)
Net cash used in financing activities	(304)	(742)
Effect of exchange rate changes on cash and cash equivalents	(48)	(27)
Net increase (decrease) in cash and cash equivalents	(772)	25

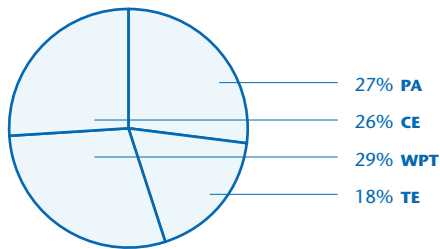
SALES

in millions CHF

			PERCENTAGE CHANGE	
	2004	2003	IN LOCAL CURRENCIES ^(a) IN CHF	
PA	1 895	1 822	+7	+4
CE	1 818	1 807	+3	+1
WPT	2 014	1 616	+27	+25
TE	1 300	1 401	-5	-7
Group	7 027	6 646	+8	+6



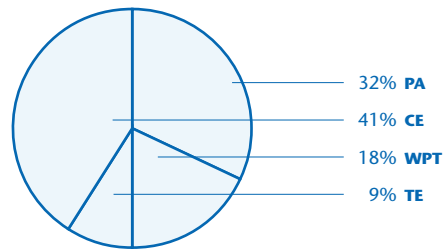
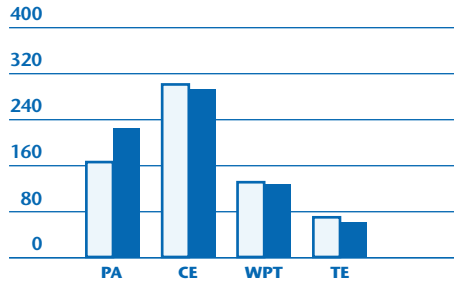
□ 2003 ■ 2004



OPERATING INCOME

in millions CHF

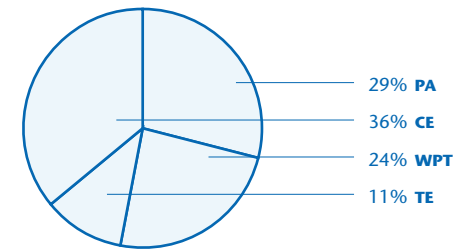
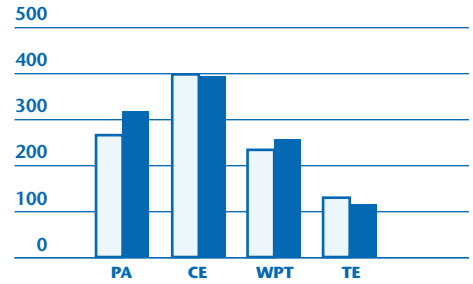
			% OF SALES	
	2004	2003	2004	2003
PA	224	165	11.9	9.1
CE	291	300	16.0	16.6
WPT	126	130	6.3	8.1
TE	61	69	4.7	4.9
Corporate	(183)	(93)		
Group	519	571	7.4	8.6



EBITDA^{(c)(d)}

in millions CHF

			% OF SALES	
	2004	2003	2004	2003
PA	319	265	16.8	14.6
CE	394	397	21.7	22.0
WPT	257	233	12.7	14.4
TE	117	129	9.0	9.2
Corporate	(83)	(87)		
Group	1 004	937	14.3	14.1



WATER & PAPER TREATMENT (WPT)

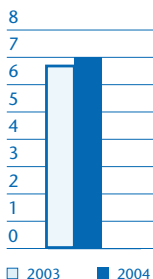
Water & Paper Treatment offers products and solutions for the paper and board, oil and mining, water treatment, agriculture, detergents and hygiene industries. Its products enhance the visual appearance, quality and functionality of paper and board, as well as optimize the efficiency and cost effectiveness of water treatment applications. They also improve the cleaning and hygienic effects of home and personal care products.

TEXTILE EFFECTS (TE)

Textile Effects offers integrated solutions covering every step between fiber and finished textiles. Products include dyes and chemicals for preparation, dyeing, printing, whitening and finishing of all major textiles, as well as sizing agents for fabric weaving. It also provides comprehensive services to help customers achieve color, comfort and performance requirements.

GROUP SALES

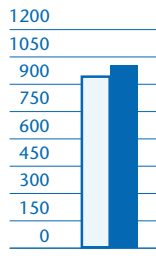
in billions CHF



□ 2003 ■ 2004

EBITDA^{(c)(d)}

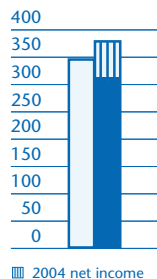
in millions CHF



□ 2003 ■ 2004

NET INCOME

in millions CHF

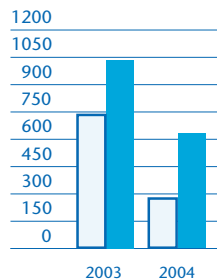


□ 2003 ■ 2004

▨ 2004 net income before restructuring and special charges^(a)

CASH FLOW

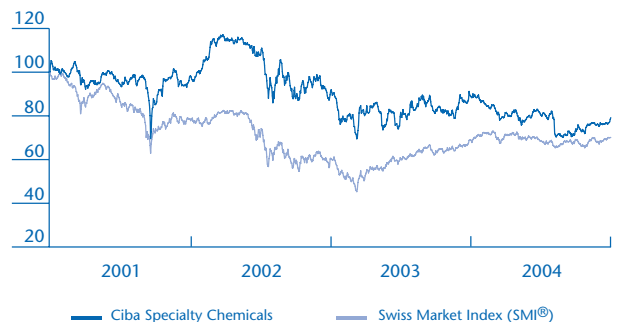
in millions CHF



□ 2003 ■ 2004

□ Free cash flow^(d)
■ Net cash provided by operating activities

STOCK DEVELOPMENT INDEX 2001–2004



— Ciba Specialty Chemicals

— Swiss Market Index (SMI)

^(a) Restructuring and special charges of CHF 91 million comprise CHF 80 million relating to Project Shape, announced in October 2004 to integrate the Raisio Chemicals acquisition and accelerate the refocus of Textile Effects to its customer base in Asia, and CHF 11 million for the expensing of acquired in-process research and development costs resulting from the Raisio Chemicals acquisition. Restructuring and special charges, net of taxes of CHF 23 million would be CHF 68 million.

^(b) Income from discontinued operations of CHF 28 million results from the release of reserves established in 2000 when the Company divested its Performance Polymers business, following the settlement in 2004 of certain arbitration proceedings.

^(c) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is shown before restructuring and special charges.

^(d) Free cash flow, amounts in local currencies and EBITDA are non-U.S. GAAP financial measures, the use of which is further discussed in the Financial Review in this Annual Report.

TOGETHER WE ARE CIBA SPECIALTY CHEMICALS

WHO WE ARE

**CIBA SPECIALTY CHEMICALS IS MORE THAN A CHEMICAL COMPANY.
WE DELIVER VALUE BEYOND CHEMISTRY.**

Ciba Specialty Chemicals is a leading company dedicated to producing high-value effects for our customers' products. Our specialty chemicals, added in small quantities, enhance the performance, look and feel of the final product.

Business success is driven by our long-term strategy of innovation and continuous operational improvements.

Ciba Specialty Chemicals brings new and creative thought to the processes and products of our customers in more than 120 countries and additionally, offers customers around the world and throughout the value chain, comprehensive online service 24 hours a day and 7 days a week.

OUR VISION

WE CREATE EFFECTS TO IMPROVE THE QUALITY OF LIFE.

We add performance, protection, color and strength to automobiles, clothing, packaging, home and personal care products and much more.

OUR MISSION

CIBA SPECIALTY CHEMICALS IS A GLOBAL LEADER, COMMITTED TO BEING NUMBER ONE IN ALL OUR CHOSEN MARKETS.

We strive to be the partner of choice for customers seeking innovative effects to enhance the performance of their products.

THIRD STRAIGHT YEAR + + + ADVANCED ELECTRONIC COLOR MATCHING SOLUTIONS CIBA® COLIBRI™ QUICK-

VALUE BEYOND CHEMISTRY

OUR STRATEGY

CIBA SPECIALTY CHEMICALS PLACES THE CUSTOMER FIRST.

Our aim is to make our operations faster and more flexible, to increase our focus on customers and markets in order to drive profitable growth and to maximize value for our shareholders. A lean, industry-targeted organization, with best-in-class manufacturing, aligns Ciba Specialty Chemicals closely with its customer industries. All four business segments ...

- PLASTIC ADDITIVES
- COATING EFFECTS
- WATER & PAPER TREATMENT
- TEXTILE EFFECTS

... have strong market positions and provide the best and most complete service to their specific customer industries.

WE OFFER LEADING-EDGE INNOVATION.

We enable beneficial features that make every-day products better and breakthrough products possible. We offer our customers both quantum leap innovation as well as steady improvements by fostering a culture of innovation and by sharing and leveraging our core competencies.

WE HELP OUR CUSTOMERS SUCCEED.

We do not simply sell products; we work alongside our customers – and our customers' customers. We engage closely with the markets we serve, drawing on our applications expertise and industry knowledge to ensure our products offer maximum benefit, all along the value chain.

WE WANT THE BEST PEOPLE TO WORK FOR CIBA SPECIALTY CHEMICALS.

We attract, develop and retain the very best. We want our people to be empowered to explore the creative ideas that will spur us to profitable growth.

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS

2004 proved to be a significant year for the Company, one in which we took some major decisions and managed demanding market conditions. The acquisition of Raisio Chemicals, with CHF 650 million in sales, has put us in a leading position to supply the paper industry, and Project Shape is addressing the integration of Raisio Chemicals, as well as the refocus of our textile business to adapt to the shifting customer base to Asia. We were able to increase both sales and profitability over the previous year, despite a demanding competitive environment and a severe currency impact, including a 9 percent weakening of the U.S. dollar in the fourth quarter alone. We addressed these challenges head-on and are well positioned for the future.

On this basis, at the Annual General Meeting on March 3, 2005, the Board of Directors will once again propose a shareholder payout of CHF 3 per share, by an additional reduction of the nominal value from CHF 3 to CHF 1 and a CHF 1 dividend.

SOUND PERFORMANCE DESPITE DEMANDING ENVIRONMENT

2004 presented some immediate challenges - geopolitical conflict contributed to record high oil prices, and our industry like many others, is also faced with a very weak U.S. dollar. However, an expanding EU, developing nations like India and South America and, to a greater extent Asia Pacific,

by the inclusion of Raisio Chemicals, which as expected, is still below average margins. Excluding acquisitions, the EBITDA margin increased to 14.7 percent of sales. Again, we were negatively impacted by the strength of the Swiss franc, but this was counteracted to some degree by a strong focus on cost management, purchasing efficiencies and more U.S. dollar based buying. We also actively managed sales price increases to offset anticipated rising raw material costs.

Net income for 2004, excluding restructuring and special charges, was CHF 379 million, resulting in a corresponding earnings per share of CHF 5.74. The net income impact in the fourth quarter for restructuring and special charges was CHF 68 million, which resulted in net income of CHF 311 million and earnings per share of CHF 4.71.

The balance sheet remains strong after the acquisitions in 2004, as well as the repurchase of shares over the second trading line. Net debt after acquisitions was CHF 1.84 billion, with free cash flow at CHF 270 million. Included in free cash flow are cash outs of around CHF 46 million for specific acquisition-related one time measures, including the build up of current assets for a new plant. Net current operating assets at the end of 2004, were 5 percent higher than the very low level reached at the end of 2003.

On behalf of the Board, I thank all our employees globally, for their commitment and strong performance throughout the year.

MATCH PRO LAUNCHED + + + CIBA® EXPERT SERVICES EXPANDS OFFER WITH ACQUISITION OF PIRA INTER-



ARMIN MEYER, Chairman of the Board and Chief Executive Officer

particularly China, provide us with exciting longer term opportunities.

Sales for the year were up 6 percent in Swiss francs compared with 2003 and 8 percent higher in local currencies, at slightly above CHF 7 billion. Raisio Chemicals' sales were up 7 percent in local currencies. Excluding the effect of acquisitions, Group sales in local currencies were up 2 percent, although exchange rate changes, particularly the continued weakening of the U.S. dollar, led to flat sales in Swiss francs. Over the year in local currencies, with the exception of the U.K., we saw improved sales growth across Europe. The United States, our largest market, was up 4 percent, and South America and China saw particularly strong double-digit growth. Three out of the four segments saw sales increases over 2003, excluding acquisitions - Plastic Additives was up 6, Coating Effects 3, and Water & Paper Treatment up 2 percent. Textile Effects reached only 95 percent of last year's sales levels, down 5 percent. Project Shape is designed, in part, to address many of the influencing underlying structural factors.

Including acquisitions, profitability increased over the previous year with an EBITDA margin of 14.3 percent of sales. This figure was impacted

SHAPING THE BUSINESS FOR PROFITABLE GROWTH

Implementing Project Shape remains a priority for 2005. We are well on track with the full integration of Raisio Chemicals into the Water & Paper Treatment Segment.

The two businesses fit together well and have substantial opportunities for further market penetration and cross-selling. The acquisition has also further strengthened our geographic presence in the Nordic region and China. After the completion of the integration process and Project Shape, we are looking for a 14-15 percent EBITDA margin for the Water & Paper Treatment Segment in 2006.

The second focus of Project Shape is to accelerate the strategy to rationalize the textiles business in Europe and refocus towards Asia, aligning it with the move of customers to the region.

Implementing Project Shape will also involve the reduction of approximately 950 positions. By the end of 2004, 250 people had already left the Company. We are doing everything we can to take good care of the people impacted.

The cost of Project Shape will be CHF 125 million after taxes and will result in annualized cost savings, beginning in 2007, of CHF 90 million after taxes following its full implementation. In 2004, CHF 57 million out of the CHF 125 million total, had already been incurred.

To further streamline our Group structure, we integrated the Home & Personal Care Segment into two other existing segments. The integration is complete and we have already seen resultant cost savings.

Having now regrouped into four customer-focused segments and harmonized our global supply chain, we are focusing on further streamlining business processes.

GEOGRAPHIC ALIGNMENT AND NEW MARKET OPPORTUNITIES

Leveraging geographic growth potential and developing new, untapped business opportunities remains one of our most important tasks. In 2004, we took further steps to strengthen our business in Asia across all segments. The new R&D center in Shanghai is now operational. It is a central part of our strategy to expand our R&D network into a truly global operation and bring innovative solutions direct to local marketplaces. In 2004, we invested in China and Taiwan, and we are continuing to assess increased production capacity needs.

Developing these opportunities is key to our delivery on profitable growth. This has also led us to the expansion of integrated customer

from shipping to refrigeration to electronics. The Ciba Research Fund currently has more than 20 potentially high-reward projects under development. In addition, our traditional R&D effort continues to turn out important new products like Ciba® Prime IT™ - a unique, patented treatment that transforms plastic into a high quality print medium. Its value to the USD 400 billion packaging industry is very significant. The plastic cover of this annual report is printed with Ciba® Prime IT™.

SUSTAINABLE BUSINESS

This 2004 annual report has taken another step towards our aim of connecting financial and business results more fully with our social and environmental performance. We are committed to achieving good performance in all three areas and believe strongly that being a responsible and sustainable business is fundamental to delivering long term, sustainable, profitable growth for shareholders.

Environmental targets for 2004-2006, summarized as 0-10-10, aim for zero lost-time accidents through a program that emphasizes care, attention and effective training, as well as reductions in water use and CO₂ emissions by 10 percent each. By the end of 2004, we were already well on track towards reaching these goals. We are also increasing our focus on suppliers, through assessments, with the objective to select partners who take their environmental and social responsibilities seriously as well.

NATIONAL + + + FIRST COMPANY TO BASE ENVIRONMENTAL REPORT ON UNCTAD GUIDELINES + + + INVESTMENT



We were able to increase both sales and profitability over the previous year, despite a demanding competitive environment and a severe currency impact. Our inherent strength, along with the measures taken in 2004 and a clear strategic focus, provide the basis for confidence going forward."

solutions and services, as well as initiatives focused on end-user markets, employing all of our scientific technologies and expertise. We anticipate for example, this approach being successful in targeting the packaging industry, where we have assembled expertise across the Group to capitalize on the trend for smart packaging.

We have also extended and reinforced our Ciba® Expert Services portfolio by acquiring Pira International. Pira has long been a leader in research, testing and consultancy for the packaging, paper, printing and publishing industries and this brings us an additional source of specialist knowledge for customers in key markets.

INNOVATION IS THE DRIVING FORCE

In 2004, we invested CHF 288 million in research and development and have over 1500 people assigned to it. One of our "Managing for Growth" projects developed the potential of micro encapsulation with the launch of Ciba® ENCAPSULENCE™ PC140 for high performance clothing with temperature regulation. This technology has applications in everything

OUTLOOK

Our inherent strength, along with the measures taken in 2004 and a clear strategic focus, provide the basis for confidence going forward. However, we expect to continue to face some difficult challenges in 2005, particularly a tough competitive environment, rising raw material prices and on-going negative currency impact. Assuming business conditions in 2005 are equivalent to last year and that currency levels do not worsen further, the Company expects higher sales in local currencies and, in Swiss francs, EBITDA and comparable net income above last year's levels. Free cash flow in 2005 is expected to be between CHF 250 and CHF 350 million.

I thank you, our shareholders, for your trust and continuous loyalty.

WITH BEST REGARDS,

ARMIN MEYER

Chairman of the Board and Chief Executive Officer
Ciba Specialty Chemicals

CORPORATE GOVERNANCE

The Board of Directors of Ciba Specialty Chemicals defines the strategic direction and supervises the overall affairs of the Company, while the implementation of strategies and the day-to-day management is vested in the Executive Committee. The Board meets at least five times per year and has formed four standing Board Committees – Audit, Finance, Human Resources and Nomination, and Compensation. The Board continues to commit itself to maintaining the highest standards of integrity and transparency in its governance of the Company, reflecting recent developments in corporate governance principles including the Swiss Code of Best Practice and the Sarbanes-Oxley Act of 2002.

The Board believes that it is in compliance with well-recognized corporate governance standards, in particular with regard to:

- A Lead Director (to complement the Chairman of the Board) entitled to convene on his own and chair meetings of the Board; in addition the Lead Director chairs the Compensation Committee; based on interviews with other Board members, he prepares a review of the Chairman. He may act as a liaison between the Board and the Chairman in delicate matters
- Broad supervisory and reviewing powers for the Board, directly supported by Internal Audit
- Independence of Board Members who are all non-executives of the Company, with the exception of the Chairman

- Independence of Board Committee Members who are equally all non-executives, with one exception being the Chairman, serving on the Human Resources and Nominations, and Finance Committees
- Having Audit Committee Members who are all non-executives with significant expertise, particularly in the area of finance
- Having Compensation Committee Members who are non-executives with broad practical experience in the area of employee and executive compensation
- An annual self-assessment of the Board
- Receiving and providing continuous and comprehensive information including periodic and yearly reports prepared by management on finances, strategies, research and development, production planning and risk management

TOPICS OF THE BOARD IN 2004

Apart from the ongoing overall supervision of the Company's affairs, corporate governance and the preparation of the annual accounts and the Annual General Meeting of the Shareholders, the Board put particular emphasis for the financial year 2004 on the following topics: group business strategy, M&A, IT and Enterprise Resource Planning (ERP) strategy, and an assessment of Internal Audit.

The Company's full corporate governance report appears in the Financial Review in this Annual Report.

IN TAIWAN FOR PRODUCTION OF INNOVATIVE PERSONAL CARE PRODUCTS + + + PRODUCTION EXPANSION OF

EXECUTIVE COMMITTEE

From left: Martin Riediker, Chief Technology Officer; Eric Marohn, Textile Effects; Christoph Biedermann, International Coordination & Human Resources; Hermann Angerer, Coating Effects; Armin Meyer, Chairman of the Board and Chief Executive Officer; Brendan Cummins, Plastic Additives; Michael Jacobi, Chief Financial Officer; Mark Garrett, Water & Paper Treatment



ORGANIZATIONAL STRUCTURE

BOARD OF DIRECTORS

Members are all non-executive directors and independent of Ciba Specialty Chemicals, with the exception of the Chairman, who also serves as Chief Executive Officer, linking the policies set by the Board to their operational implementation by the Executive Committee.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer heads the Executive Committee.

CHIEF TECHNOLOGY OFFICER

The Chief Technology Officer leads the effort to share and leverage the Company's core technical competencies across the four business segments and to identify new fields to explore.

GROUP SERVICES

Provide support functions to the segments through centralized units, which operate on a global basis.

CORPORATE FINANCE

INTERNATIONAL COORDINATION & HR

GROUP SERVICE LAW & ENVIRONMENT

GROUP COMMUNICATIONS

INFORMATION SERVICES

SEGMENTS

Four customer and market focused business segments with responsibility for their own marketing, R&D, technology, production and sales.

PLASTIC ADDITIVES

COATING EFFECTS

WATER & PAPER TREATMENT

TEXTILE EFFECTS

ANTIOXIDANTS FOR PLASTICS IN CHINA + + + EXECUTIVE COMMITTEE FURTHER INTERNATIONALIZED + + +

BOARD OF DIRECTORS

From left: Uli Sigg, Member of the Board; Kurt Feller, Vice Chairman of the Board and Lead Director; Armin Meyer, Chairman of the Board and Chief Executive Officer; Peter Littmann, Member of the Board; Erwin W. Heri, Member of the Board; Gertrud Höhler, Member of the Board; Jean-Marie Pierre Lehn, Member of the Board



TOGETHER WITH OUR CUSTOMERS

In every lab, in every office, at every meeting, in every telephone call and e-mail – the most important person often isn't there: the customer. Successful companies have long realized that there is more to attracting and holding a market than simply making great products. As in any good relationship, awareness is essential: understanding the customer's own situation, concerns, expectations and needs, both stated and unstated. Only then does the customer gain the full benefits of innovation – effects that transform products and inspire improvements in the quality of life.

Ciba Specialty Chemicals is determined to create the greatest opportunities for profitable, sustainable growth from each of its customer contacts. This means making conscious efforts to shorten the distance to the customer, adding specialized expertise in the disciplines of marketing and sales to Ciba's existing strengths in technology and applications.

BUILDING SKILLS IN CUSTOMER RELATIONSHIPS

Ciba Specialty Chemicals has established a Marketing & Sales Board to build on the experience of the "Managing for Growth" program, creating cross-segmental processes in support of stronger customer orientation. The Marketing & Sales Board has three immediate objectives: marketing and sales training; support for global and key accounts; and developing Company-wide tools to implement marketing and sales strategy. The

Ciba® Expert Services sells knowledge-based services to customers, both internal and external. As a professional services provider, it operates separately from Ciba Specialty Chemicals' product businesses; maintains the highest standards of neutrality, objectivity and confidentiality; and always delivers the best solutions for customers – irrespective of whether this involves Ciba's products or not. Ciba® Expert Services is able to combine deep experience with global reach – which is why companies such as Pfizer (a customer for safety services, analytic testing and consulting), as well as many other businesses in a wide variety of industries, have come to rely on its abilities.

VERSATILE TECHNOLOGY HELPS A CUSTOMER SUCCEED

Polyurethane is one of the world's most widely used plastics, with applications from engineering and construction to furniture, shoes and automobiles. World consumption is about 10 million tonnes annually and the market is growing by 5.5 percent each year. A major global market leader in polyurethane, BASF Elastogran, faced a challenge: automotive manufacturers, particularly in Europe, required that polyurethane foams used in car interiors should be protected from damage and discoloration by oxygen, but at the same time should not emit any of the amine-containing volatile organic compounds (VOCs) associated with traditional antioxidants. Ciba Specialty Chemicals, working in close association with BASF Elastogran, came up with the answer: Ciba® IRGASTAB® PUR 68, a

FORMALIZED STRATEGY FOR GLOBAL COMMUNITY RELATIONS + + GLOBAL DISTRIBUTION AGREEMENT WITH

CLOSE TO THE CUSTOMER; CLOSER TO THE FUTURE

overall goal is to manage each customer relationship in the most productive way: anticipating needs, delivering value and unlocking potential.

Following a global survey and drawing on the experience of academic and corporate experts, Ciba Specialty Chemicals will roll out in 2005 a worldwide program of marketing and sales training, testing and qualifications, allowing for continuous improvement in marketing skills through seminars, structured feedback and e-learning. In addition, it will be coordinating management, processes and responsibilities across the regions and segments for its corporate and global accounts – ensuring that the Company and its customers alike benefit from an optimized relationship.

CIBA® EXPERT SERVICES: "OUR KNOWLEDGE – YOUR ADVANTAGE"

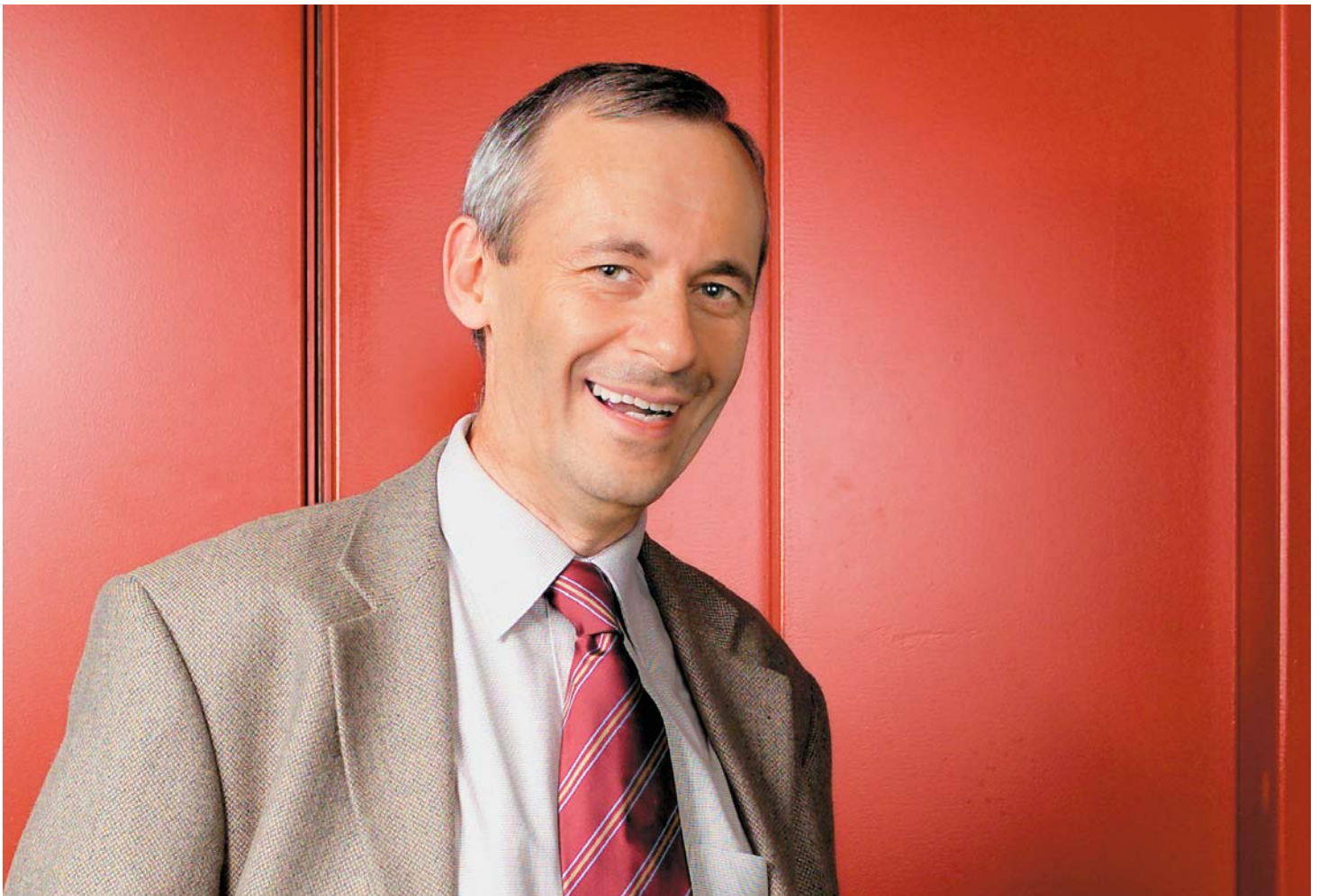
Closeness to the customer is also the principle behind Ciba® Expert Services, a new business unit which delivers consultancy and service packages in areas where Ciba Specialty Chemicals has widely acknowledged proficiency: environment, regulation, safety, testing, color management and education – and now, with the acquisition of Pira International, industry expertise in printing, packaging, publishing and paper.

new, amine-free blend, containing antioxidants that protect polyurethane foam from discoloration while fulfilling automotive low emissions standards.

GREATER VALUE FROM INTEGRATED SOLUTIONS

Rethinking a business model can dramatically improve the relationship between customer and supplier. In the wastewater treatment business, customers traditionally bought their own equipment and then paid for chemicals by weight. This arrangement naturally drove the business toward a market situation in which chemical companies competed mainly on price per kilo.

Now Ciba Specialty Chemicals has introduced a model in which the customer pays a monthly service fee for wastewater treatment. Ciba devises the unique best solution for each site – supplying, as needed, proprietary dispensing equipment, remote data gathering, process control systems, chemicals and process expertise within the terms of the contract. The result is significant cost savings for the customer, with all the added benefits of a site-specific solution: Ciba, meanwhile, gains a closer, higher-value customer relationship: a win-win situation.



CATHAY BIOTECHNOLOGY FOR LUBRICANT ADDITIVES + + + CIBA® PRIME IT™ BRINGS FIRST DURABLE SURFACE



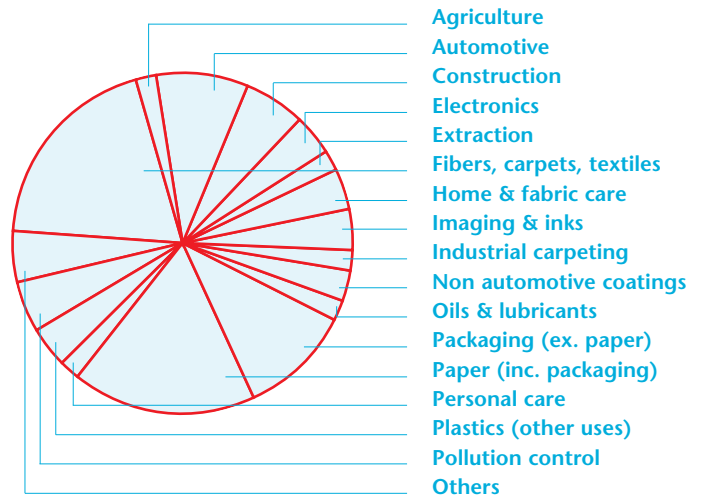
Working together, turning our knowledge into customer advantage... that's what satisfies me.”

GILBERT LIGNER, Ciba® Expert Services, Switzerland

WORKING TOGETHER FOR ENVIRONMENTAL BENEFITS

Every day and every contact offers a chance to build closer relationships with customers. Ciba Specialty Chemicals has always prided itself on its technical understanding of customer industries, providing real-world solutions to challenging problems. In a typical example, Ciba worked with a leading Indian textile manufacturer to improve its environmental performance by cutting its output of salt and dyes in waste water. The textile company already used CIBACRON® LS (low salt) reactive dyes, which dramatically reduce the salt requirements for achieving strong colors in cotton. Nevertheless, the company’s low volume of effluent meant the concentration of salt and color was still unacceptably high. A team combining Ciba textile, water treatment and environmental experts helped the customer develop a sophisticated water treatment plant, recovering 30 percent of water input, re-using 50 percent of salt and reducing color effluent by 80 percent. A close working relationship allowed the customer – and Ciba Specialty Chemicals – to get the greatest value from an environmentally friendly product.

REPRESENTATION OF BREADTH OF INDUSTRIES SUPPLIED



TOGETHER ACROSS THE SEGMENTS

The vital idea necessary to complete an innovation is often found, not on the other side of the world, but right next door. “Managing for Growth” at Ciba Specialty Chemicals seeks out those ideas – mobilizing knowledge across the Company’s segments to pursue promising growth opportunities. Aligning development capabilities more closely with end-user markets, Ciba ensures the best return for its expertise and reduces time between proposal and payback.

Ciba Specialty Chemicals has many key innovations for packaging – a market worth more than USD 400 billion worldwide. Pigments and dyes for coloring plastics; antioxidants for packaging stability; process stabilizers and antistatic agents for durable, dust-free bottles; photoinitiators for glossy, fast-curing inks and paper coatings; pigments and resins for inks; oil, water and grease-repellent finishes; UV filters and oxygen scavengers that protect contents from damage by sunlight or spoilage from oxidation; papermaking chemicals; and fluorescent whiteners for brighter board and paper. In addition, Ciba offers unmatched color management technology and consulting for maintaining brand logo consistency across all materials; expert services in product safety, environment, analytical services and regulation; and, with the acquisition of Pira International, world-leading research.

The key to capitalizing on all these trends is to approach them as one company. This need not require any physical movement of employees or reassignment of responsibilities; instead, it needs a cross-segmental coordination of marketing and product development efforts. This approach to packaging can deliver substantial growth for all four segments of Ciba Specialty Chemicals – as will similar integrated approaches to other key customer industries.

A NEW TREATMENT MAKES EVERY PLASTIC SURFACE PRINTABLE

A retailer’s shelves are like a jungle: products compete for profitable niches by attracting the eye. Ideally, brand owners would like to be able to produce every powerful visual effect on every material. Their problem, though, is that some materials – especially plastics – provide a poor surface for printing. Water-based inks, UV-curable inks and even some adhesives do not bond securely to the surface.

Now, however, there is a solution that makes plastic film as versatile a printing surface as paper: Ciba® Prime IT™, a unique, patented UV-curable surface treatment that permanently transforms plastic, even metallized plastic film, into a high-quality print medium. Ciba® Prime IT™ creates a permanent non-peeling bond between the ink on plastic packaging and the plastic itself. Unlike alternative technologies, it can be applied long before printing. Its value for packaging is enormous, but

MODIFICATION FOR HIGH QUALITY PRINTING ON PLASTICS + + + NEW REGIONAL HUB IN BAHRAIN EXTENDS

FROM A SPECTRUM OF ABILITIES, A BRIGHT BEAM OF INNOVATION

PACKAGING: WRAPPING UP THE OFFER

Stemming from a “Managing for Growth” project, Ciba Specialty Chemicals’ packaging initiative assembles expertise from across the Company in support of a coordinated, targeted approach to the industry. The point is to assure that Ciba is involved at the moment when the end-user imagines a new effect, rather than waiting for product orders to materialize.

Packaging is about to enter an exciting phase: “smart packaging” – which communicates with retailers through unique radio frequency ID tags and with consumers through time and temperature sensors and tamper and toxin indicators – opens opportunities for an innovative partner with a portfolio of high-value technologies. A global trend toward convenience consumption makes eye-catching packaging more important to sales – and thus more attractive for investment by the packaging producer. The major international consumer goods companies are increasingly sophisticated in their brand differentiation, demanding precise control of color across every aspect of their packaging. Ever more rigorous regulation of materials, especially in food and pharmaceutical packaging, favors a partner with worldwide regulatory expertise.

potential applications extend far further, from display signs to credit cards. Using its proprietary expertise in photoinitiators, Ciba Specialty Chemicals has opened up a new universe for the world’s print industry. You can see this technology at work in the plastic cover of this Annual Report.

ENCAPSULATION FOR TARGETED DELIVERY

Colloid chemistry – the ability to create and control mixtures of substances that do not normally mix – is a core competence of Ciba Specialty Chemicals. A natural extension of that competence is microencapsulation, the precise formation of microscopic capsules to contain and deliver an active substance. One key “Managing for Growth” project centers on extending this technology platform across all segments, exploiting new market opportunities.

Ciba Specialty Chemicals has already brought a similar capability to market with Ciba® TINODERM® delivery systems, minute spheres that allow cosmetic formulators to deliver active substances, such as vitamins and anti-inflammatory agents, directly to the living layers of the skin. Recent



SERVICES IN MIDDLE EAST + + + ADVANCED CHEMISTRY EDUCATION PROGRAM FOR 300 STUDENTS IN THE USA



Even this plastic bottle cap requires many innovative chemistries. We have lots of different talents – but, ultimately, one customer wants one solution. It’s up to us to bring it all together.”

GIORGIO MACOR, Business Development, Italy

work at the larger, micro level has produced Ciba® ENCAPSULENCE™ PC140: encapsulated wax spun into acrylic fiber, which changes phase, absorbing heat from the wearer’s body and then re-radiating it when the body cools, maintaining constant temperature through warm and cold conditions. A revolutionary shift from traditional trapped-air insulation, this encapsulation technology has applications across the segments: in refrigeration, automotive, shipping, buildings, heat exchangers, electronics, floor coverings and packaging.

The key reasons for encapsulating an active substance are to control or target its release, to protect it or disperse it in an otherwise incompatible formulation, or to make it safer or easier to handle. Among the applications currently being studied by Ciba Specialty Chemicals are putting solvent-based active molecules into water-based coatings, thus reducing environmentally hazardous volatile organic compounds; creating performance textiles, where temperature regulation is combined with other desirable effects, such as moisture management or UV protection; encapsulating and thus making more robust certain plastic additives; and delivering further cosmetic benefits to the skin.

PROFITABLE GROWTH ACROSS THE SEGMENTS

PLASTIC ADDITIVES	COATING EFFECTS	WATER & PAPER TREATMENT	TEXTILE EFFECTS
Technological base: UV technology	Photoinitiators	UV protection clothes	
Plastic colors Cosmetic colors	Technological base: Pigments	Pigments for synthetic fibers Paper colors	
Encapsulation	Surface coating	Technological base: Acrylic monomers and polymers	Encapsulation
Transparent dyes for engineering plastics Hair dyes	Paper Dyes		Technological base: Textile dyes

TOGETHER ACROSS THE PRODUCT PORTFOLIO

Investors know Ciba Specialty Chemicals has one of the best product portfolios in its industry. The Company builds on its proprietary technology platforms and core competences to generate solutions for more than 15 main end-user industries, from automotive to agriculture, electronics to plastics, paper and packaging to textiles.

Like any investment, Ciba Specialty Chemicals' portfolio needs systematic management to ensure it continues to enhance the Company's future. Therefore, the Strategy Office, headed by the Chief Strategy Officer, guides the portfolio development.

Working closely with the business segments, Group functions and the Corporate Technology Office, the Strategy Office monitors general trends affecting Ciba Specialty Chemicals – shifts in geographical markets, end-user industries or regulatory and public affairs – to anticipate future requirements, so today's resource allocation can shape a portfolio that fits tomorrow's customer needs.

ACQUISITION OF RAISIO CHEMICALS – PAPER CHEMICALS: A CLOSE FIT

The acquisition of Raisio Chemicals of Finland, with around CHF 650 million in sales, puts Ciba Specialty Chemicals into a leading position in the full range of functional chemicals for the paper industry. The two businesses fit excellently: Raisio Chemicals' technology portfolio is weighted toward

A BROADER OFFERING OF KNOWLEDGE-BASED SERVICES

Ciba Specialty Chemicals has extended and reinforced its portfolio of Ciba® Expert Services by acquiring Pira International. Pira has long been a leader in research, testing and consultancy for the packaging, paper, printing and publishing industries. With Pira, Ciba is now able to offer additional specialist services to customers in key markets. Pira, meanwhile, can grow as part of a global services business while maintaining intellectual independence and business neutrality.

EXTENDING THE GEOGRAPHIC PORTFOLIO

Ciba Specialty Chemicals' "Managing for Growth" initiative also involves geographic expansion. In 2004, this included China, where manufacturing capacity and personnel numbers increased, reflecting a significant growth in sales; Eastern Europe, where Ciba, from its new base in Hungary, is poised to benefit from the rapidly expanding economies of the new entrants to the European Union; and the Middle East, where Ciba has opened a new regional distribution hub in Bahrain.

Other regions have also seen growth in sales volumes; in particular, Ciba Specialty Chemicals' long-time presence in Latin America has allowed it to benefit from the recent upturn in many local economies. India shows promise as a growing market for higher-value effects and as a research and manufacturing base. Finally, the acquisition of Raisio

+ + + NEW RHEOLOGY MODIFIERS FOR COSMETICS EFFECTIVE OVER A WIDE PH RANGE + + + REACTIVE DYE SETS

EVERY PRODUCT, EVERY SERVICE – ADDS UP TO ONE COMPANY

the "dry end" of the paper process, in coatings and binders, where Ciba's is centered on the "wet end". Raisio Chemicals also offers a strong geographic presence (backed by widely respected technical laboratories) in the Nordic region and China. Thanks to Ciba's global reach, the combined business has substantial opportunities for further market penetration and cross-selling.

The good strategic fit extends beyond the product portfolios and geographic presence to business models. Ciba Specialty Chemicals is known for innovative chemistry and deep product knowledge; Raisio Chemicals has an excellent reputation for customer service and applications know-how. Together they should profit from the trend toward higher-value coated paper products, growing beyond the underlying rate of the industry and benefiting from its continuing consolidation.

Chemicals has opened new market possibilities both in the Nordic countries and in Russia – possibilities that will be explored in the coming year.

Ciba Specialty Chemicals has also set up a new research and development facility in Shanghai, which will specialize in developing products unique to rapidly growing Chinese and Asian markets. In India, Ciba is bringing its R&D operations into a single new facility, with an eye toward hiring more of the many well-trained local researchers.

IMEX: INK BASE MANUFACTURING BY EXTRUSIONS

By offering trusted products in innovative forms, Ciba Specialty Chemicals can reach new customers and secure a good return for its applications expertise. Ciba has long supplied high-quality pigments to be made into printing inks – now, using its extrusion know-how, Ciba can offer ink bases: high-performance, easily handled ink concentrates that combine pigment, resin and additives, greatly speeding and simplifying the ink making process. Market reaction has been excellent, with immediate potential to expand beyond the business line's strong European base into NAFTA and Asia.



NEW STANDARD FOR COST-EFFECTIVE DEEP SHADES ON CELLULOSE + + + ACQUISITION OF RAISIO CHEMICALS



“When we put the two paper chemicals businesses together, we immediately saw how well they complemented each other. It was really a case of 1+1=3.”

TIINA LUTTIKHEDDE, Research & Development, Finland

TAILORED TO CUSTOMER NEEDS

In textiles, Ciba Specialty Chemicals has introduced CIBACRON® S, a new range of dyestuffs for cotton that offers deep shades with superior performance and overall cost economy. This high-quality cost-effective solution for knit goods and sportswear convinced Benetton, one of the world’s most advanced garment companies, to choose CIBACRON® S over competing low cost Asian dyes.

Ciba® TINOCARE® Si A1 is a new, improved functional silicone for hair conditioners which performs exceptionally in tests of wet and dry combing ease, offering excellent, long-lasting conditioning without build-up. Thanks to its mildly positive charge, it binds closely to the hair itself – providing softness, shine and smooth handling in an easily formulated liquid. The technology originated in Textile Effects; it was optimized for hair care and brought to market in less than a year.

INCREASED PAPER CHEMICALS OFFER

Internal Water Treatment Systems	
Biocides & Deposit Control	
Felt Conditioning, Stickies & Cleaners	
Defoamers	
Effluent Water Treatment	
Charge, Drainage and Retention Systems, Microparticle Systems	
Dyes & Whiteners	
Coating Chemicals	
Sizing Agents	
Starch	
Wet & Dry Strength Resins & Creping	

■ Product ranges added by acquisition of Raisio Chemicals

TOGETHER WITH OUR EMPLOYEES

To attract, develop and retain the highly qualified, motivated people on which its success depends, Ciba Specialty Chemicals is committed to a set of values that drives the Company's human resources policies throughout the world. These include: effective, results-focused management; consistent, clearly communicated strategic direction; interesting, challenging work; continuous performance feedback; opportunities for personal development; and performance-based reward. These help ensure that Ciba maintains and extends its position as employer of choice in its industry.

People development is a continuous process. Ciba Specialty Chemicals firmly believes that attracting and retaining talented people requires a partnership between the employee and the Company, allowing individuals to shape their own careers. Training needs are assessed for each person; whether the need is further specialist competition law training or learning a new language, Ciba ensures its employees have the chance to develop new skills.

In addition, a Mentoring Program begun in 2004 creates informal networks within the Management Development population to promote individual learning and growth. Local mentors – key or senior managers outside the employee's normal reporting line – share their knowledge and experience over an 18 to 24 month contact period.

Important communications and discussions take place at cascade meetings held throughout the Company at least twice each year. A global survey of internal communications in 2004 showed they were generally perceived as useful and effective.

The integration of Raisio Chemicals with Ciba Specialty Chemicals is being accomplished by 15 task forces, each one composed of people from both companies. Their work is continuously communicated to employees through dedicated newsletters and intranet pages. While the systems and procedures of the two companies are different, their corporate cultures are similar – valuing innovation, cooperation and personal responsibility – which helps the process go smoothly.

A geographic shift in the textile industry to Asia, as well as the rationalization of the Business Line Paper following the Raisio Chemicals acquisition, has meant that some job functions, mainly in Europe, will cease to exist. Wherever possible, Ciba Specialty Chemicals prefers to reduce employee numbers through retirement or voluntary resignations. Where this is not possible, the Company will offer support and assistance.

CONNECTIONS WITH EDUCATION

In parts of Europe, apprenticeship programs are vital to vocational training; providing them is both a social responsibility and a way to form links with tomorrow's workforce. Ciba Specialty Chemicals has created such

CREATES TOP-TIER PAPER CHEMICALS SUPPLIER + + + NEW POLYPROPYLENE MODIFIER FOR BETTER QUALITY NON-

19 300 EMPLOYEES, 79 PRODUCTION SITES, ONE SET OF VALUES

FOSTERING DIVERSITY

Ciba Specialty Chemicals recognizes the imbalance between the numbers of men and women employed in its industry. Its recruitment policy prohibits consideration of such factors as age, race, sex, national origin, religion, politics or sexual orientation. As of 2004, about 20 percent of Ciba employees were women. In managerial positions, the Company has been making progress: 24 percent of Management Development candidates are now women, an increase from 22 percent in 2003. The number of female potential key managers remains at the 2003 level: 14, or 8 percent of this population.

OPENNESS IN THE WORKPLACE

Ciba Specialty Chemicals recognizes the right of all employees to join a union. The proportion of employees who are union members varies from region to region, depending on local practices. On a global average, 22 percent of Ciba employees are members of a union; this proportion rises in some European and Asian countries, where there are major production sites.

training opportunities for almost 300 people in Switzerland and Germany – helping to shape the future direction of the industry.

Ciba Specialty Chemicals also offers an important bridge between the worlds of academic and applied chemistry with its work placement programs. There are currently 110 students doing their thesis work in the Company. In addition, there is a new Ciba program for post-doctoral students in North America, which helps those completing their academic work make the transition to industry. In the UK, Ciba's Paisley plant has begun offering year-long placements for university chemistry students. Many future Ciba Specialty Chemicals' chemists are recruited from such programs.

A STRONG FOUNDATION FOR ETHICAL CONDUCT

Good corporate behavior depends on clear standards for employee behavior. The Ciba Specialty Chemicals' Code of Conduct supplies a global baseline for compliance with the expectations of all the Company's stakeholders. Every new employee is fully briefed on the Code as part of the induction process. All employees have means to contact local



WOVEN FABRICS + + + MICROENCAPSULATED PHASE CHANGE MATERIAL OFFERS HIGH LEVEL TEMPERATURE REG-



There are people like me working in Ciba Specialty Chemicals' plants all over the world. We all work together: it matters to me that everyone is treated according to the same standards."

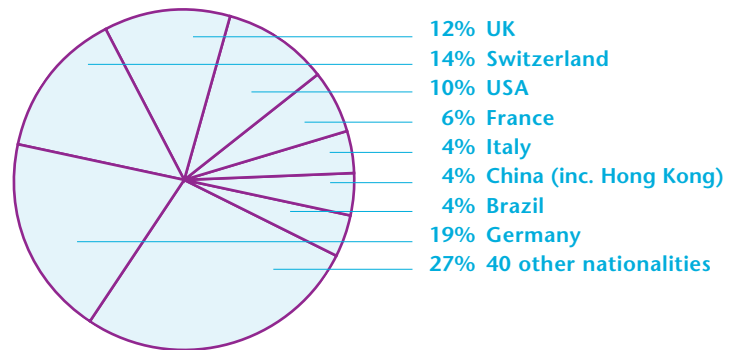
ASLI SAGKOL, Production, Germany

compliance officers confidentially to report misconduct – which they are obliged to do if they cannot prevent it.

Where there is a deviation from the principles outlined in the Code of Conduct, Ciba Specialty Chemicals deals with the matter promptly and decisively. In 2004, there were two incidents that merited disciplinary action: a conflict of interest in materials purchasing and a serious abuse of expense claims. Those responsible are no longer employed by the Company. Group Compliance conducts an annual global survey to identify all issues that have been reported.

The Ciba Specialty Chemicals' Code of Conduct is available at www.cibasc.com/corporategovernance

CULTURAL DIVERSITY OF TOTAL MANAGEMENT POPULATION



TOGETHER WITH OUR NEIGHBORS

A good corporate citizen is a good neighbor. Ciba Specialty Chemicals understands that its future success depends on the support of the communities where its plants are located. Its global Community Relations Strategy therefore recognizes the necessity both for consistent standards around the world and for local knowledge and sensitivity.

The foundation of trust between a chemical company and the surrounding community is plant safety. Everyone's interest, as citizens and employees, is in preventing accidents and dealing effectively with emergencies. In August 2004, the fire-fighting team at Ciba Specialty Chemicals' Atoto plant in Mexico staged a large joint exercise with the community, inviting emergency personnel from the State authority and from fifteen other companies in the area. The exercise simulated a spill of a dangerous substance in a production building and tested skills in process control, fire safety, decontamination and first aid. Thirty-five emergency workers from outside the Company participated, later praising both the realism of the exercise and the value of the training Ciba provided.

LEARNING TOGETHER FOR GROWTH

Science education is one of the key elements of community relations for Ciba Specialty Chemicals: by offering access, expertise and time, Ciba helps ensure that the next generation will include the innovative chemists

and initiatives. This has helped to integrate Ciba closely and positively into the region's political and business life, whilst gaining greater insight into local concerns and opportunities. In West Memphis, it was the CAP that suggested that Ciba Specialty Chemicals become involved in the city's business expo, promoting inward investment and improving local communication.

BUILDING TOGETHER FOR CULTURE

The vision of Ciba Specialty Chemicals commits the Company to improving the quality of life. This commitment governs the local dimension of community relations: finding out what would make the greatest qualitative difference to the town or region and taking action. In Ankleshwar, India, there was no dedicated venue where schoolchildren could go to enjoy the performing arts – Indian music, classical dance and drama, debate and children's films – so Diamond Dye-Chem, a subsidiary of Ciba Specialty Chemicals, sponsored the building of a children's theater. It is a substantial investment, since Ciba is the sole sponsor; but the theater will make a clear and lasting difference in community life, strengthening local culture and providing positive impact for years to come.

BRINGING TOGETHER POLICY AND PRACTICE

In Spring 2004, Ciba Specialty Chemicals summarized its long-established

RELATION TO TEXTILES + + + 14 SUPPLIERS AUDITED FOR ENVIRONMENT, HEALTH AND SAFETY PERFORMANCE + + +

COMPANY AND COMMUNITY: SHARED INTEREST, SHARED FUTURE

needed to discover solutions to tomorrow's needs. In Thailand, as in many other countries, Ciba has established close connections with local schools and specialist colleges. There is currently great emphasis on chemistry in the Thai educational system, so students from the King Mongkut Institute of Technology were particularly eager to visit Ciba Specialty Chemicals' Mahachai plant. Here they had a chance not only to learn about dyestuff chemistry, but also about Ciba's expertise in safe chemical manufacturing.

MEETING TOGETHER TO IMPROVE PERFORMANCE

Ciba Specialty Chemicals is an integral part of the community; that role is made clear by the Community Advisory Panels (CAPs) the Company has set up at most of its North American production sites. A CAP includes a wide range of local viewpoints, with representatives from education, government, business, the emergency services and other stakeholder groups. In a series of meetings recently with the CAP at Ciba's West Memphis, USA plant, the group discussed locally important issues such as security and air quality, giving the Company a forum to explain its policies

community relations values and practices in a formal strategy document. This identified two further challenges: to devise methods to quantify performance and to make explicit the balance between global consistency and local effectiveness. In the course of 2004, Ciba has taken steps to address both these challenges. A global survey was conducted in September to establish the baseline level of community relations awareness and activity in each facility. The goal was to understand the existing local approaches to community relations and begin setting globally consistent standards for performance in communicating with local stakeholders. At the same time, the survey provided a snapshot of activities around the world, from local safety briefings to educational programs and sponsorship. There was also scope to include specific local context, to ensure that performance could be reported in terms of community expectations and cultural sensitivities.

Every production site of Ciba Specialty Chemicals participated in the survey and the results will be collated in early 2005. These results will help to further develop and maintain global standards while allowing different



110 STUDENTS DO THESIS WORK AT CIBA SPECIALTY CHEMICALS + + + NEW PRODUCTION LINE FOR DPP PIGMENTS IN



I work here – and I live here; I am proud that we can help our neighbors by training together. It feels like giving something back to the community. And it helps me to know people here are safer.”

GUILLERMO VAZQUEZ, Production, Mexico

countries to share best practices. As a support to community relations, the Company will also put together a “toolbox” of resources to help local teams meet global expectations. These include resources specific to communication with the media and government, conducting events at the site, help with identifying significant issues and assessing actions, as well as maintaining useful information about the Company and its activities. A worldwide competency network has been established to share and extend training and expertise in community relations. The ultimate goal is to make social performance as focused, measurable and efficient as its financial and environmental performance.

An excerpt from the Ciba Specialty Chemicals’ Community Relations Strategy follows.
The full text is available at www.cibasc.com/socialresponsibility

THE FRAMEWORK FOR CORPORATE SOCIAL RESPONSIBILITY AT CIBA SPECIALTY CHEMICALS HAS THREE CORE ELEMENTS

- A clear Social Policy and Code of Conduct governing how we do business
- Human resource policies and practices that develop and encourage, reward and recognize our employees at all levels
- Consistent community relations; that is, appropriate local approaches to foster dialogue with our stakeholders as well as good corporate citizenship, both of which contribute to the communities in which we operate

The Community Relations Strategy and its implementation is a significant commitment to a consistent approach that can be measured. It should also, by definition, be developed as society’s expectations around the world evolve.

TOGETHER WITH THE FUTURE

Ciba Specialty Chemicals is committed to financial success in the context of a sustainable, responsible industry. The Social Policy and Code of Conduct express Ciba's strong dedication to social accountability. The Company also recognizes its responsibility to contribute to society as a whole, giving back to the many communities in which it operates. As an enterprise that thrives on innovation, Ciba concentrates on science education as a way to build public appreciation of the many benefits chemistry brings to life.

Ciba Specialty Chemicals expects that the standards for social responsibility expressed in its Social Policy Statement and Code of Conduct, should apply throughout its supply chain. When auditing its supplier companies for environmental performance, therefore, it also looks closely at health and safety matters, employment and working conditions, training and education and risk to the neighboring community. Ciba Specialty Chemicals categorically rejects the use of child or forced labor and the unsafe exposure of employees or neighbors to harmful substances.

INSIGHT FOR TOMORROW'S WORKFORCE

Education remains the center of Ciba Specialty Chemicals' social mission. For the past four years, its McIntosh, USA site has offered local high schools the chance to participate in a program called WINGS (Working

THE BUSINESS OF EDUCATION

Managerial skill is just as important as scientific knowledge in developing a successful enterprise. Ciba Specialty Chemicals has been involved with the China European International Business School (CEIBS) in Shanghai for more than ten years, both as a major sponsor and as a member of its Corporate Advisory Board. Eight CEIBS graduates currently work for Ciba; 12 students have taken internships at the Company; and 24 Ciba managers have participated in executive education and MBA courses. The mutual benefits are clear: Ciba helps a fast-growing economy develop essential managerial skills while enjoying a close relationship with a source of excellent local talent.

TRANSFORMING LIVES WITH KNOWLEDGE AND CARE

The Children's Village – based near Ciba Specialty Chemicals' facility in Tarrytown, USA – has been offering hope for nearly 150 years to some of society's most vulnerable members. Begun as a refuge for homeless immigrant children in New York City, it has grown into one of the most innovative and respected charities dealing with the physical, moral and psychological welfare of young people in troubled circumstances. Ciba Specialty Chemicals has made donations to the Children's Village for more than forty years, but has recently extended its involvement – forming a team of volunteers to work at the center several times each month,

SWITZERLAND ON-STREAM + + + ACQUISITION OF CANADIAN PAPER CHEMICALS BUSINESS LPM TECHNOLOGIES

HELPING WHERE HELP MATTERS MOST: IN THE NEXT GENERATION

Interns for Good Skills). This unique course gives students a chance to gain the real-life skills and insight required by today's workplace – and the chance to earn a little money as well. Students come to learn at the plant over a six-week period, combining scientific training by employee mentors with work experience and gaining awareness of what life is like at the plant, where many of their neighbors and family work.

Ciba Specialty Chemicals' Advanced Chemistry Education Program in Tarrytown, USA has been running for 15 years. The two week course has given more than 300 selected high school students an introduction to university level teaching and lab techniques, as well as first hand experience of the practical and business sides of research and development, culminating in identifying and creating a business plan for a new chemical product. The students rate the program highly: many of them have subsequently gone on to make a career in chemistry.

sending a representative to the Board of Directors and becoming lead sponsor of the charity's Work Appreciation for Youth (WAY) program, a highly successful model for helping young people along the difficult path to independence, self-worth and employment. For Ciba, this is a heartening example of positive transformation, improving the quality of life in the most meaningful way.

CHILDREN CHALLENGING INDUSTRY

A responsible company always keeps its doors open to the public; in the UK, three Ciba Specialty Chemical sites have played host to more than 280 children from local primary schools, all as part of a program called "Children Challenging Industry". On each visit, 12 Ciba employees show the children around the site and give them hands-on demonstrations related to the science they have been learning in school. The purpose is to point out, as early as possible, that science opens doors to potential



INC. + + + NEW FABRIC SOFTENER FOR ULTRA-HIGH WHITENESS + + + EFFECTIVE THICKENER FOR CRYSTAL CLEAR



There's a world of difference between school and work; when the kids put the two together, doing their internship, you can see how much they are learning. And I like it, too; it reinvigorates me."

WILLA WASHINGTON, Site Infrastructure Services, USA

careers – as well as to show children the positive role Ciba Specialty Chemicals' products play in their daily lives. The reaction from students and teachers – and Ciba employees – has been very favorable.

A SPECTRUM OF OPPORTUNITY IN SOUTH AFRICA

In 2004, Ciba Specialty Chemicals continued its sponsorship of the Swiss-South African Cooperation Initiative, an award-winning agency providing technical and life-skills training to help people find jobs or set up a business. The success rate for the agency is impressive: out of more than 1,600 people who completed its training, nearly 75 percent are employed, running micro-enterprises or in further education – and more than 200 new businesses have been started.

An excerpt from the Ciba Specialty Chemicals' Social Policy Statement follows.

The full text is available at www.cibasc.com/socialresponsibility

IN SOCIAL ISSUES, CIBA SPECIALTY CHEMICALS ENDEAVORS TO FOLLOW INTERNATIONALLY RECOGNIZED GUIDELINES

- Universal Declaration of Human Rights
- OECD Guidelines for Multinational Enterprises, OECD, 2000
- Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, ILO 1977
- Declaration on Fundamental Principles and Rights at Work, ILO 1998
- Freedom of Association and Protection of the Right to Organize, ILO Convention 87, Convention 98
- Elimination of Forced and Compulsory Labor, ILO Convention 29, Convention 105
- Elimination of Discrimination in Respect of Employment and Occupation, ILO Convention 100, Convention 111
- Abolition of Child Labor, ILO Convention 138, Convention 182

TOGETHER THROUGHOUT THE PRODUCT CYCLE

“We create effects to improve the quality of life.” This vision also governs Ciba Specialty Chemicals’ Environment, Health and Safety (EHS) performance. The Company works to assess the cumulative effect of its products all the way from initial research and development to final recycling or disposal — ensuring that their environmental impact is understood and any potential hazards are properly managed and documented. This process is called “Product Stewardship”: the hallmark of a responsible company building a sustainable enterprise.

Product Stewardship is not a bolt-on: it provides the most benefits when it is designed into every product. That is why Ciba Specialty Chemicals has introduced Product Stewardship input and assessments at each stage of its research and development process, from planning the portfolio, through launch and review of products. This process is being supported by the global integration of information systems for legal compliance, EHS, Product Safety and Registration — creating a single unified process for managing the life cycle of a product.

Naturally, Ciba Specialty Chemicals takes full account of legislative requirements in its development process; but Product Stewardship goes further, identifying issues of public concern, assessing the implications of different manufacturing processes and applications — and, most impor-

PRODUCT STEWARDSHIP AND THE SUPPLY CHAIN

Ciba Specialty Chemicals vouches for its own products and pays close attention to its customers’ applications — but the principles of Product Stewardship also extend back to the suppliers of raw materials. Ciba has therefore established a formal program of supplier audits to ensure that companies, who do business with Ciba Specialty Chemicals, maintain high standards of environmental, health, safety and social performance. These audits offer an independent assessment of EHS practices and employee welfare, giving supplier companies the opportunity to check that their standards are in line with international best practice. So far four assessments have been completed in India and ten in China; further audits are planned in South East Asia in 2005. These countries are increasingly important sources of raw materials for the specialty chemicals industry.

REACH: PREPARING FOR A NEW REGIME

The European Union is currently evaluating a new policy on chemicals: REACH, or Registration, Evaluation and Authorization of Chemicals. This will require manufacturers and importers of substances to assess and report on down-stream applications throughout the supply chain, and propose measures for managing potential risks from the use of their products.

GEL FORMULATIONS AND COSMETIC EMULSIONS + + + HIGHLY TRANSPARENT RED PIGMENT FOR PLASTICS

PRODUCT STEWARDSHIP: THROUGHOUT THE LIFE CYCLE OF EVERY PRODUCT, IN THE MIND OF EVERY EMPLOYEE

tant, identifying opportunities. Innovation that offers environmental benefits to customers also gives Ciba a competitive advantage. Understanding the whole cycle through Product Stewardship makes both good environmental practice and good business sense.

PRODUCT STEWARDSHIP IS CORE THINKING

Since Product Stewardship is at the heart of the business, it must be in the minds of everyone who drives the business. Workshops with senior leadership teams and global product managers have helped move the image of Product Stewardship from reacting to potential problems to anticipating potential opportunities. Customers increasingly prefer to buy products whose potential hazards are both minimized and clearly defined. Ciba Specialty Chemicals’ product managers know they can offer the complete package: quality, consistency, value — and a fully documented product life cycle.

Ciba Specialty Chemicals supports the aim of this legislation, although the Company has concerns over its practical implementation and is therefore making representations for a more pragmatic approach through the chemical industry association. The Company has a strong tradition of full, conscientious testing and reporting, going back to its predecessor, Ciba-Geigy: it issues comprehensive Materials Safety Data Sheets and maintains a help line to advise and support customers in the safe use of its products. Ciba has excellent in-house capabilities in toxicology, environmental risk assessment and product applications, which should help support its product portfolio in any more rigorous reporting regime. Furthermore, the Company’s emphasis on innovation will enhance its position under any new requirements, as recently developed products are already likely to comply with regulations.



LAUNCHED + + + NEW EFFECTS FOR PLASTICS PRESENTED AT TRADE SHOW K2004 + + + CIBA® TINUVIN® XT 833



For me, Product Stewardship means bringing everything together: making sure we manage the whole life cycle and support our customers at every stage. Our goal remains sustainable chemistry and sustainable success.”

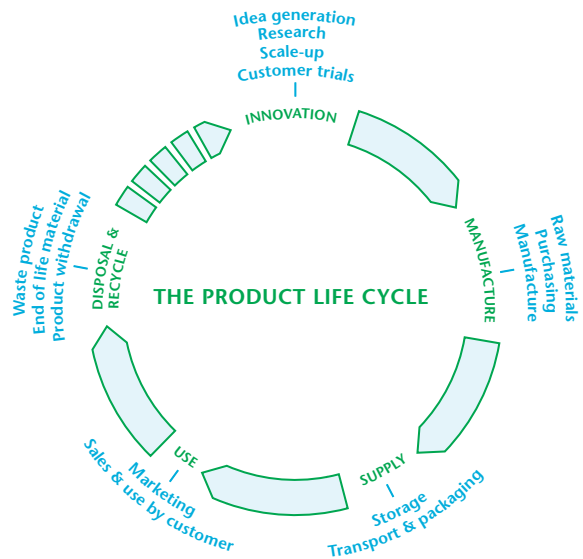
SIMON LAWRENCE, Product Safety, Switzerland

An excerpt from the Ciba Specialty Chemicals’ Product Stewardship principles follows.

The full text is available at www.cibasc.com/ehs-policies

PRODUCT STEWARDSHIP GUIDING PRINCIPLES

- Product Stewardship is an integral part of doing business and a means of strategic differentiation, not a hurdle
- Product Stewardship is both a general attitude and a habit, as well as a business process integrated into other Company processes
- The attitude towards potential risks is alert, pro-active, interested and open
- Time and resources spent minimizing problems and risks are rated more highly than those spent handling crisis situations
- Potential and real risks are handled in an integrated fashion, which includes dealing equally well with the business communication, legal and scientific related aspects
- Product Stewardship is not just an activity of a small team of specialists. It is in the mind of the management and every employee



TOGETHER WITH OUR ENVIRONMENT

Ciba Specialty Chemicals was the first company in its industry to adopt the United Nations' eco-efficiency reporting guidelines (UNCTAD). The Company then sought and achieved third-party verification of its environmental performance. Ciba was among the first to relate environmental and financial results, demonstrating that good environmental practice translates into reduced costs, better customer relations and higher profit potential.

The environmental targets for 2004-2006 are summarized as "0-10-10". The Company continues to aim for zero lost-time accidents – a difficult but important goal – through a program that emphasizes care, attention and effective training. The two other targets are reducing water use and CO₂ emissions, per tonne of product, by 10 percent each over three years.

CO₂: IMPLEMENTING THE KYOTO PROTOCOL

Firm targets demand coordinated efforts across the Company: in Switzerland, Ciba Specialty Chemicals played a major role in negotiating a voluntary agreement between the chemical industry and the federal government, defining the industry's contribution to Swiss CO₂ emission reductions. This agreement specifies a 16 percent reduction from 1990 levels of CO₂ emission by 2010; Ciba will therefore be exempted from the proposed national levy on fossil fuel use. The Company's experience with

ENERGY: INNOVATION IS IN THE WIND

In India, a lack of fuel resources means that electricity prices are very high – nearly double the European average. Ciba Specialty Chemicals' plant in Ankleshwar has substantial but variable electricity needs: peak power is only required occasionally. The challenge in 2004 was to reduce electricity costs without installing costly diesel burning generators. The solution was in the wind: Ciba paid for the construction of two turbines in a high-efficiency wind farm. An agreement with the State utility allows Ciba Specialty Chemicals to "bank" excess power production and draw it back at peak times. The project took less than three months from decision to full production. Wind now provides nearly 80 percent of the plant's power requirements at less than one-third of the previous cost per kilowatt/hour – and all without emitting a gram of CO₂.

Hundreds of minor improvements can also add up to substantial financial and environmental savings. Four Ciba Specialty Chemicals sites in the United Kingdom have qualified for Energy Efficiency Accreditation, an award based on at least three years' continuous improvement in energy efficiency and a stringent independent audit of energy systems and policies. Ciba is one of only 200 leading companies and institutions in the UK to have been accredited.

EXTENDS LIFE EXPECTANCY OF FLEXIBLE PVC IN EXTERIOR APPLICATIONS + + + CIBA® TINOCARE® SI A1 PROVIDES

ENVIRONMENTAL RESPONSIBILITY: THE COMBINED EFFORTS OF PEOPLE ACROSS THE COMPANY AND AROUND THE WORLD

similar legislation in the UK prepared it well for the Swiss agreement and for upcoming EU-wide regulations.

CO₂ emissions can be reduced by using comparable fuels – waste solvents, such as methanol – that would otherwise have to be shipped off-site for incineration. This achieves a triple benefit: reduced overall emissions, reduced waste and reduced energy costs. This leading expertise is being implemented in the Company's major Swiss production sites and throughout the world.

WATER: MANY PATHS TO ECO-EFFICIENCY

Water is a scarce resource. Ciba Specialty Chemicals, using its in-house expertise, has made great advances in efficient water use over recent years, mostly through common-sense organizational measures rather than expensive new investment: cooling water has been re-used as process water; steam has been re-condensed, recovering both heat and valuable treated water. By looking methodically at water and energy use in production processes, starting at the earliest stage of innovation and development, Ciba engineers are improving eco-efficiency at low cost.

ENVIRONMENTAL EFFORTS REWARDED

Ciba Specialty Chemicals' worldwide environmental policies and standards have been developed over many years; it is gratifying when their effectiveness is recognized by an outside agency. Ciba's Mexican production sites, Puebla and Atoto, have long worked with the federal government to earn its "Clean Industry" certification. This requires passing a detailed external audit of all processes, that can take up to three years. Ciba's sites have repeatedly qualified for this certification, a testimony to the hard work of Ciba Specialty Chemicals' people at every level.

Ciba Specialty Chemicals' plant in Newport, USA was chosen by the state's governor to launch Principles for Responsible Industry in Delaware (PRIDE), a new code of principles for manufacturing which covers environmental protection, worker and community health, community involvement, excellence in management systems and energy conservation. Ciba's site was chosen because, in the words of Governor Ruth Ann Minner, it already demonstrated the responsible manufacturing practices that this new law will encourage, providing an example for other industries in the state to follow.



TARGETED CONDITIONING FOR HAIR + + + PROGRAM FOR FULL INTEGRATION OF RAISIO CHEMICALS AND TO



Making the wind power project a reality took the cooperation of many people, both inside and outside the Company. Yet it was accomplished so quickly; to me, that's the power of working together."

RANJAN JAIN, Purchasing, India

An excerpt from the Ciba Specialty Chemicals' Environment, Health and Safety policy follows.

The full text is available at www.cibasc.com/ehs-policies

A COMMITMENT TO EXCELLENCE

Ciba Specialty Chemicals strives for a leading position in all its markets and business segments. An important element to ensure business leadership is the successful integration of environment, health and safety (EHS) management into all relevant business processes. We will focus on product and process innovation, supply chain management and customer support to continuously improve the EHS performance of our products and services. We are committed to exploring all reasonable opportunities to apply our EHS strategies and policies in close cooperation with our customers and suppliers for the benefit of all parties.

CIBA SPECIALTY CHEMICALS IS COMMITTED TO

- Integrating EHS management into business processes and strategic planning
- Global compliance with laws, regulations, international treaties and conventions
- Minimizing, managing and communicating all risks relating to its products and operations; participating in Responsible Care programs in all major regions
- Maintaining a high level of awareness, motivation, training and professionalism in EHS for all employees
- Continuously improving EHS performance through goal-setting and measurement
- Considering EHS performance as a key element in selecting suppliers, distributors and contractors
- Communicating EHS strategies and performance openly and consistently to all key stakeholders

2004 ENVIRONMENT, HEALTH AND SAFETY PERFORMANCE

Ciba Specialty Chemicals reports its environmental performance in accordance with the United Nations Conference on Trade and Development (UNCTAD) guidelines on eco-efficiency indicators. The summary results are based on data collected from Ciba's global SEEP (Safety, Energy and Environmental Protection) reporting system.

Ciba Specialty Chemicals reports its EHS results for the period from October 1 to September 30, 50 sites and two regional headquarters contributed data: this includes all Ciba's production sites and all joint ventures where the Company has management control. Data from the joint ventures was consolidated at 100 percent regardless of the size of Ciba Specialty Chemicals' holding in the venture. One site, Lad Krabang in Thailand, was closed in 2003 and no longer reports; three small sites in Japan, Korea and Chile reported data for the first time. No data from the sites acquired from Raisio Chemicals has been included. These sites will be fully integrated into the EHS reporting system from October 1, 2004.

All five parameters – energy use, water use, global warming contribution, contribution to ozone depletion and waste – showed improvements over the previous year.

Although production volume increased by only 1.5 percent, net value added increased by 10 percent in 2004 (net of currency exchange effects);

WATER CONSUMPTION was significantly reduced by 14 percent. About half this reduction came from European sites that use river water for cooling: these had consumed more water than usual in 2003, due to the extremely high temperatures in the summer of that year. Nevertheless, further efforts to reduce water consumption have borne fruit in many sites; the estimated fall in consumption thanks to these measures is about 6 percent or 4.5 million cubic meters.

GLOBAL WARMING CONTRIBUTION fell by almost 5 percent; further reductions are expected as the Company completes projects to cut overall utilities consumption and to substitute more waste for fossil fuels. Ciba Specialty Chemicals expects to meet its target of reducing carbon dioxide emissions by 10 percent per tonne of product by 2006.

CONTRIBUTION TO OZONE DEPLETION also fell significantly. The Company has put programs in place to ensure that cooling circuits in its refrigerators and air conditioning units are leak-tight; this resulted in lower losses. As older refrigeration units reach the end of their useful lives, they will be replaced by modern units with a newer generation of refrigerants that have very low or zero ozone-depleting potential.

ADAPT STRUCTURES OF TEXTILE EFFECTS + + + CIBA® RHEOMAX™ OFFERS COST-EFFECTIVE SOLUTIONS TO



CIBA SPECIALTY CHEMICALS IS A SIGNATORY TO RESPONSIBLE CARE® PROGRAMS

this means that parameters related to this value showed significant improvement. The Swiss franc continued to appreciate over the reporting period, so the eco-efficiency parameters expressed in terms of currency values for 2000 showed even more marked improvements.

ENERGY USE has been reduced by a further 5.5 percent. The Company has continued to substitute waste for fossil fuels: the quantity of energy produced from waste increased from 494 terajoules in 2003 to 522 terajoules in 2004.

WASTE generation dropped by 9 percent. At Ciba Specialty Chemicals' site in Grenzach, Germany, some water-based wastes had been treated thermally in the wet air oxidation plant. By improving processes and in-plant pre-treatment of these wastes, they can now be discharged directly to the effluent treatment plant, leading to a significant reduction in the amount of waste generated. Ciba Specialty Chemicals has also cut the quantity of solvents used and recycled, further reducing its total waste.

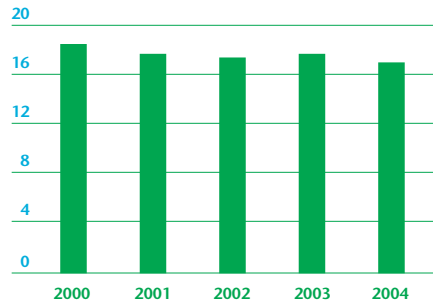
ECO-PERFORMANCE

NOTES TO THE GRAPHS

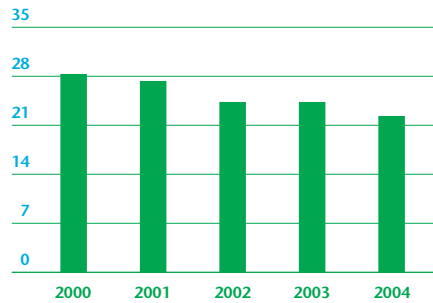
We present our performance data in three categories: row one, global totals; row two, relative to production output; and row three below, relative to Net Value Added – the eco-efficiency indicators.

All graphs are developed according to United Nations Conference on Trade and Development (UNCTAD) guidelines and are based on data from Ciba Specialty Chemicals' global SEEP (Safety, Energy and Environmental Protection) reporting system.

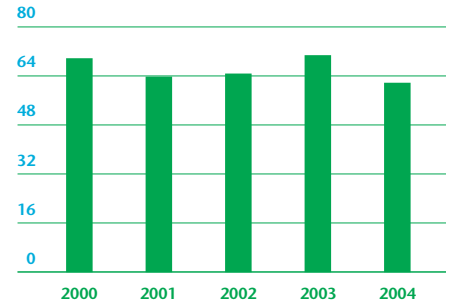
ENERGY REQUIREMENT
thousand terajoules



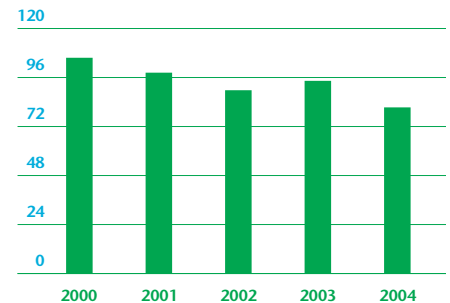
gigajoules / tonne product



WATER USE
million m³



m³ / tonne product



MINING INDUSTRY + + ACQUISITION OF WATER AND PAPER TREATMENT CHEMICALS BUSINESS AB CDM IN

DEFINITIONS:

ENERGY: total primary energy purchased by sites and by third parties to provide the Company with steam and electricity. Waste used as fuel is not included.

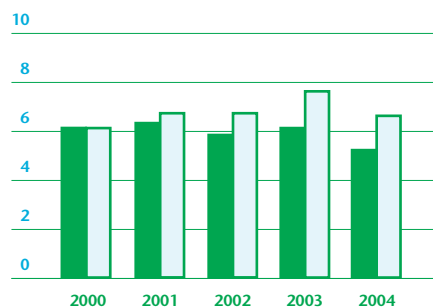
WATER: total water entering sites, except rain and storm water.

GLOBAL WARMING CONTRIBUTION: global warming gases emitted by or on behalf of the Company, expressed as carbon dioxide (CO₂) equivalents (and calculated in accordance with the Kyoto Protocol).

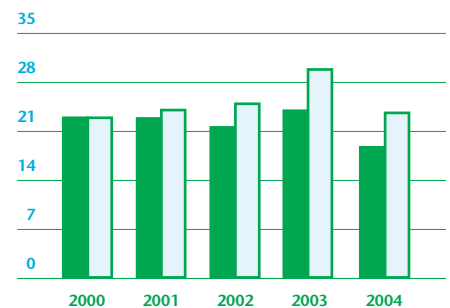
ECO-EFFICIENCY INDICATORS

Additional information is available on the Ciba Specialty Chemicals' website at www.cibasc.com/ehs

ENERGY REQUIREMENT
terajoules / million CHF NVA*



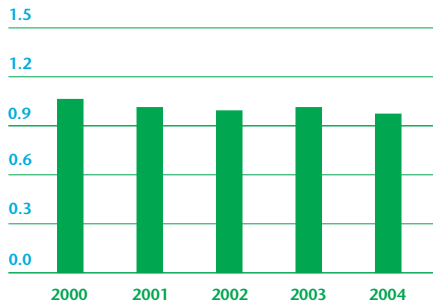
WATER USE
thousand m³ / million CHF NVA*



* □ NVA: Net Value Added
■ NVA based on 2000 currency exchange rates

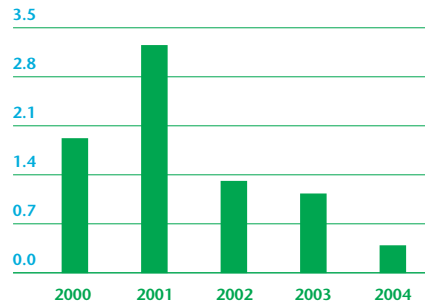
GLOBAL WARMING CONTRIBUTION

million tonnes CO₂ eq.



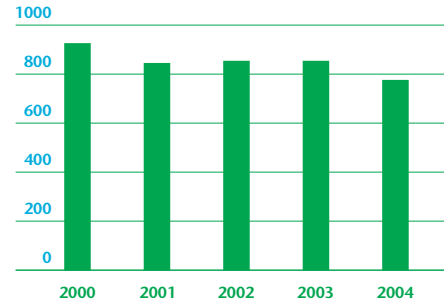
CONTRIBUTION TO OZONE DEPLETION

tonne CFC-11 eq.

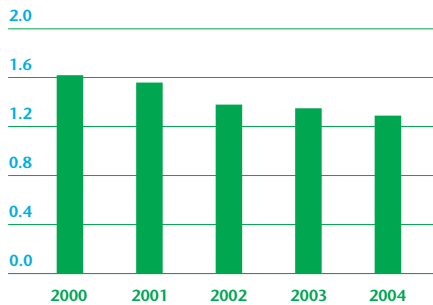


WASTE

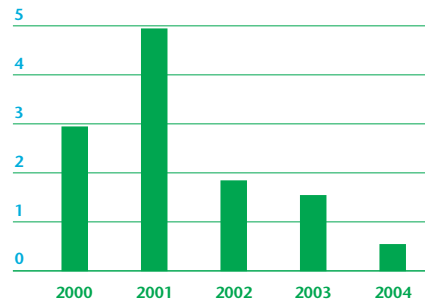
thousand tonnes



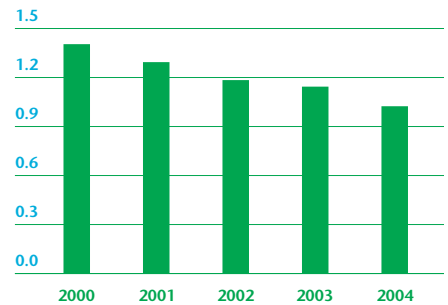
tonnes CO₂ eq. / tonne product



g CFC-11 eq. / tonne product



tonnes / tonne product



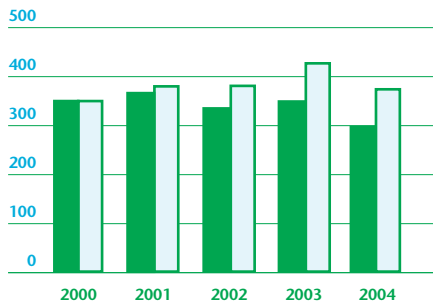
SWEDEN + + + BREAKTHROUGH TECHNOLOGY FOR IMPROVED PIGMENT DISPERSION WINS R&D AWARD + + +

OZONE-DEPLETING SUBSTANCES: total emission of such chemicals as defined in the Montreal Convention, expressed as CFC-11 equivalents.
WASTE: all Company-generated wastes. Further details are available at www.cibasc.com/ehs

NET VALUE ADDED: NVA is calculated in Swiss francs, using the formula: sales, minus costs of goods and services purchased, minus depreciation. The eco-efficiency indicators are also shown at the currency exchange rates in effect in 2000 for comparison purposes.

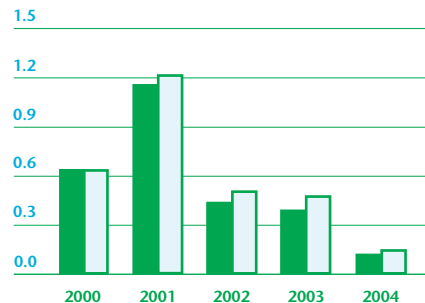
GLOBAL WARMING CONTRIBUTION

tonnes CO₂ eq. / million CHF NVA*



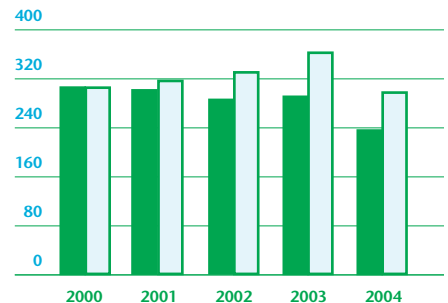
CONTRIBUTION TO OZONE DEPLETION

kg CFC-11 eq. / million CHF NVA*



WASTE

tonnes / million CHF NVA*



VALIDATION STATEMENT



To the Management and Shareholders of Ciba Specialty Chemicals Holding Inc.

Ciba Specialty Chemicals requested that Ellipson validate the eco-efficiency figures published in its 2004 EHS Report.

The management of Ciba Specialty Chemicals is responsible for the presentation of the eco-efficiency indicators according to the voluntary guidelines of the United Nations Conference on Trade and Development (UNCTAD). Our responsibility is to verify and assess this presentation.

We have verified how the raw data from the individual sites has been converted to the eco-efficiency data and how the consolidation of data from all sites was carried out. We did not verify the basic information supplied by the individual sites, nor the basic financial data used to calculate the Net Value Added. All validation work was carried out in Basel.

The verification was carried out to assess compliance with the UNCTAD Guidelines; the verification procedures were designed to give reasonable assurance that indicators are free from material misstatement. Using random samples, we have examined and analyzed the eco-efficiency data and consolidation procedures. Further we have assessed the use of the accounting principles defined in the UNCTAD Guidelines, the signifi-

cant assumptions made and the overall presentation of eco-efficiency indicators. We believe that our verification provides a reasonable basis for our opinion.

In our opinion, the eco-efficiency indicators give a true and fair picture. The eco-efficiency indicators for water use, waste and contribution to ozone depletion and to global warming comply fully with the UNCTAD Guidelines. For the energy indicator, an alternative procedure was adopted, which qualitatively is equivalent to the procedure described in the UNCTAD Guidelines. Moreover, information is provided that allows calculation of the energy indicators according to the procedure laid out in the UNCTAD Guidelines.

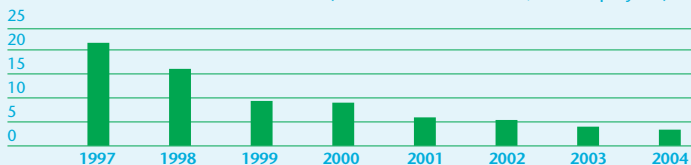
BASEL, JANUARY 2005
ELLIPSON AG

DR. ANDREAS STURM

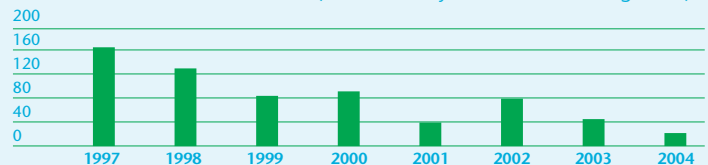
NORBERT EGLI

CIBA SPECIALTY CHEMICALS ACQUIRES REMAINING 50% STAKE IN DAIHAN SWISS OF KOREA + + STRATEGIC CO-

LOST-TIME ACCIDENT FREQUENCY (number of accidents/1,000 employees)



LOST-TIME ACCIDENT SEVERITY (number of days lost/million working hours)



LOST TIME ACCIDENTS

In 2004, Ciba Specialty Chemicals continued to improve its lost time accident record, the frequency has been reduced from 4.6 to 3.8 (-20%) accidents per thousand employees and the severity from 53 to 20 days lost per million working hours (-60%).

For the fourth consecutive year, the number of sites completing the year October 1, to September 30, without a lost time accident has increased. In 2004, 31 production sites reported zero lost time accidents (2003: 26) and a further 9 had only one to report (2003: 5).

THE FOLLOWING SITES REPORTED ZERO LOST-TIME ACCIDENTS:

Kwinana	Australia	Ai-Oi	Japan
Wetherill Park	Australia	Isohara	Japan
Camaçari	Brazil	Chiba	Japan
Guangzhou	China	Doobon	Korea
Panyu	China	Klang	Malaysia
Qingdao	China	Puebla	Mexico
Shanghai	China	Heerenveen	Netherlands
Shekou	China	Maastricht	Netherlands
Bogotá	Columbia	Avondale	New Zealand
Lampertheim	Germany	Monthey	Switzerland
Bradford	Great Britain	Kaohsiung	Taiwan
Grimsby	Great Britain	Mahachai	Thailand
Ankleshwar	India	Charlotte	USA
Goa	India	St. Gabriel	USA
Gandaria	Indonesia	Suffolk	USA
Mortara	Italy		



OPERATION IN INNOVATIVE EFFECTS FOR GLOBAL GARMENT WET PROCESSING INDUSTRY + + + 31 PRO-



A person is the sum of their abilities; a company is the sum of its people. Together, we can do so much more than any one of us."

MARIA LI, Sales & Marketing, China

OUR CORE COMPETENCIES

We bring the benefits of leading-edge research to the real world to improve the quality of life. Our effects improve existing, or add new qualities to products at every stage of the production process:

- We protect plastics, coatings and photographic layers from degradation induced by light, heat, air and mechanical stress
- We add color to plastics, coatings, textiles, paper and wood
- We improve the efficiency of the paper-making process
- We improve the brightness and printability of paper
- We cure and image layers and coatings using light
- We help to shield people and objects from harmful ultraviolet light and microorganisms
- We optimize water management
- We improve the performance of textiles
- We make textiles whiter and brighter through laundry detergents
- We synthesize complex functional molecules economically

... and much more.

GLOBAL NETWORK OF MAJOR LOCATIONS

- 79 production sites in 28 countries
- 24 R+D centers in 12 countries
- 19 300 employees around the world



For more information on our locations: www.cibasc.com/worldwide

PRODUCTION SITES REPORT ZERO LOST TIME ACCIDENTS + + + LAUNCH OF NEW-GENERATION 16x DVD RECORDING DYE

GENERAL CONTACT

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FORWARD-LOOKING STATEMENTS

Forward-looking statements and information contained in this Report 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.

