



Ciba

ANNUAL REPORT
Ciba Specialty Chemicals

Business Review 2006

FINANCIAL SUMMARY 2006

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

STATEMENTS OF INCOME

Year ended December 31,	Excluding restructuring, impairment and other charges		Including restructuring, impairment and other charges	
	2006	2005	2006	2005
Net sales	6 352	6 035	6 352	6 035
Gross profit	1 849	1 736	1 849	1 736
Restructuring, impairment and other charges ^(a)			(69)	(120)
Operating income	531	509	462	389
Financial income and expense, net	(161)	(137)	(161)	(137)
Income from continuing operations before income taxes and minority interest	370	372	301	252
Provision for income taxes	(61)	(82)	(39)	(48)
Minority interest	(3)	(4)	(3)	(4)
Income from continuing operations	306	286	259	200
Earnings per share from continuing operations	4.62	4.38	3.91	3.06
Loss from discontinued operations, net of tax ^(b)			(300)	(456)
Loss per share from discontinued operations			(4.54)	(6.98)
Net loss			(41)	(256)
Net loss per share			(0.63)	(3.92)

BALANCE SHEETS

December 31,	2006	2005
Current assets	3 554	4 267
Property, plant and equipment, net	2 576	2 693
Other long-term assets	2 951	3 652
Total assets	9 081	10 612
Current liabilities	1 566	1 891
Long-term liabilities	4 226	4 738
Minority interests	75	80
Shareholders' equity ^(c)	3 214	3 903
Total liabilities and shareholders' equity	9 081	10 612
Net debt	1 854	1 942

STATEMENTS OF CASH FLOWS

Year ended December 31,	2006	2005
Net cash provided by operating activities	422	407
Net cash used in investing activities	(159)	(292)
Net cash used in financing activities	(491)	(526)
Effect of exchange rate changes on cash and cash equivalents	4	53
Net decrease in cash and cash equivalents	(224)	(358)
Free cash flow	195	176
Free cash flow including restructuring payments, net^(d)	127	94

^(a)Restructuring, impairment and other charges included in income from continuing operations include charges incurred in connection with Project Shape and the Operational Agenda, each of which is described in the Company's 2006 annual report.

^(b)For the year ended December 31, 2006, the loss from discontinued operations, net of tax, consists primarily of the CHF 353 million combined loss, net of tax, on the sales in 2006 of the Textile Effects and Masterbatch businesses. This was partially offset by CHF 53 million combined income from the results of operations, net of tax, of these businesses as well as from the release of certain tax reserves that had existed in connection with the Company's divestment of the Performance Polymers business in 2000 following the settlement in 2006 of tax audits and other events. For the year ended December 31, 2005, the loss from discontinued operations, net of tax, includes the CHF 486 million combined results of operations, net of tax, of the Textile Effects (including the segment impairment) and Masterbatch businesses during the period. This was partially offset by CHF 30 million income, net of tax, from the release of previously established reserves as the result of the settlement of a pension-related lawsuit that had existed in connection with the Company's divestment of the Performance Polymers business in 2000.

SALES

in millions CHF

	2006	2005	Percentage change	
			in CHF	in local currencies ^(e)
PA	2 090	1 938	+8	+7
CE	1 801	1 703	+6	+5
WPT	2 461	2 394	+3	+1
Total	6 352	6 035	+5	+4

PA – Plastic Additives WPT – Water & Paper Treatment
CE – Coating Effects

OPERATING INCOME¹

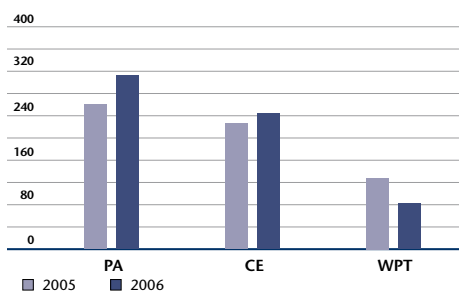
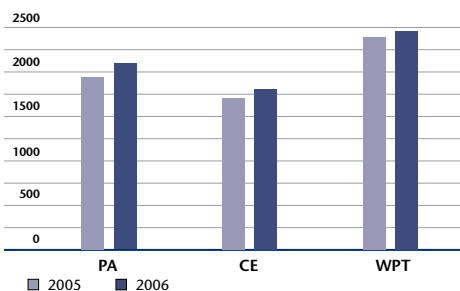
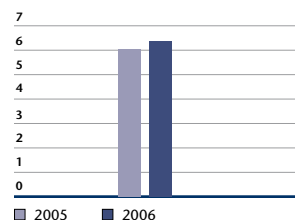
in millions CHF

	2006	2005	Percentage change
			in CHF
PA	312	260	+20
CE	244	226	+8
WPT	81	128	-37
Corporate	(106)	(105)	–
Total	531	509	+5

¹before restructuring, impairment and other charges

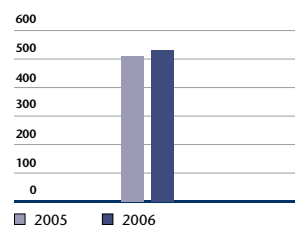
GROUP SALES

in billions CHF

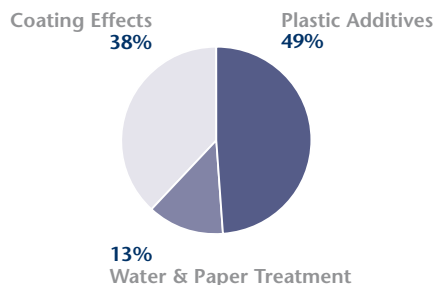
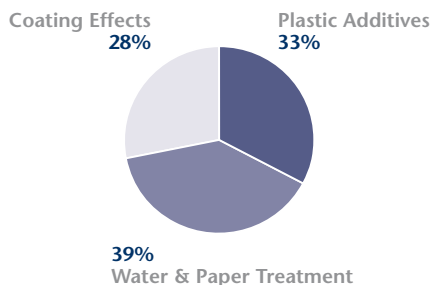


OPERATING INCOME¹

in millions CHF

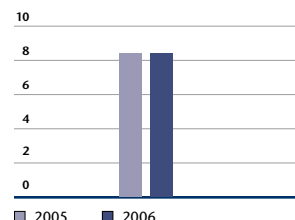


¹before restructuring, impairment and other charges



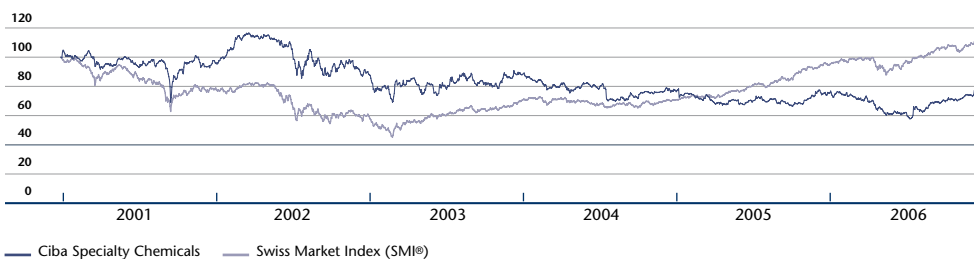
OPERATING INCOME MARGIN¹

as a percentage of sales



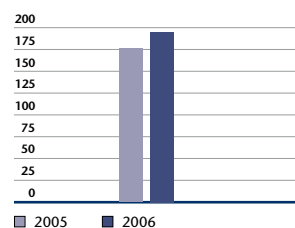
¹before restructuring, impairment and other charges

SHARE PRICE DEVELOPMENT INDEX 2001-2006



FREE CASH FLOW²

in millions CHF



²before restructuring payments

^(c)The 2006 balance sheet reflects the non-cash impact on pension accounting from the adoption of SFAS No. 158, a new US GAAP accounting standard published in September 2006. The effect of this new accounting rule reduced other long-term assets by CHF 704 million, increased other long-term liabilities by CHF 127 million and, through "accumulated other comprehensive loss", reduced shareholders' equity by CHF 623 million, net of deferred income taxes of CHF 208 million. The adoption of this new accounting standard for 2006 and future years has no impact on cash flows or on the statement of income. It merely brings onto the Company's balance sheet information that previously had been fully disclosed in footnotes to the financial statements.

^(d)Net of proceeds from restructuring-related asset sales.

^(e)Change in percent in local currencies reflects the percent change in (i) 2006 results, as adjusted, to remove the effects of fluctuations in foreign currency rates as compared to 2005 and (ii) 2005 results, as reported.

WHO WE ARE

Ciba Specialty Chemicals creates effects to improve the quality of life. These high value effects enhance the performance, look and feel of our customers' products. In addition, we offer a wide range of knowledge-based services and expertise, providing customers with complete solutions to help them succeed. We serve a number of major markets, including the Paper, Plastics, Printing, Packaging, Lubricants, Automotive, Construction, Electronics, Water Treatment, Agriculture and Home & Personal Care industries.

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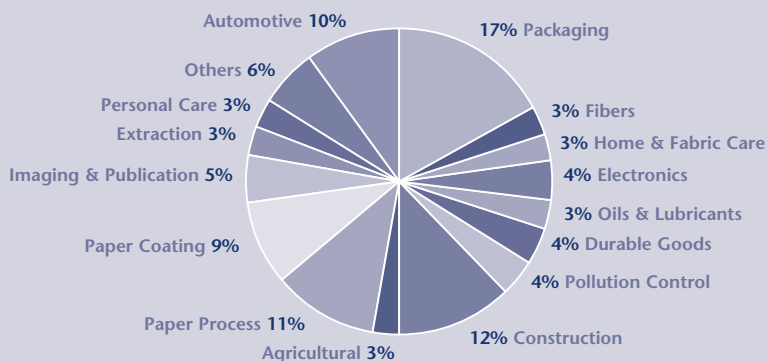
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CIBA SPECIALTY CHEMICALS

AT A GLANCE

OUR CUSTOMERS

Ciba Specialty Chemicals offers integrated solutions for many of the world's largest industries, including Paper, Plastics, Printing, Packaging, Lubricants, Automotive, Construction, Electronics, Water Treatment, Agriculture and Home & Personal Care. We follow a tailored approach to individual customer needs – whether it's UV absorbers for sunscreen, hardening of coatings and electronic components with UV light, high-performance pigments for architectural paints or process chemicals for paper. At the same time, we bring together the capabilities of the whole company to address the needs of our customers, creating a strategic partnership that links our core competencies with the end-user market.



OUR BUSINESS

Wherever there is the opportunity to provide value beyond chemistry, you'll find Ciba Specialty Chemicals. With our strong portfolio of proprietary technologies, we offer solutions to a broad range of customer needs. Our products protect plastic, coatings, wood and human skin from the harmful effects of sunlight, heat, air or mechanical stress. We are improving efficiency at every stage of the papermaking process as well as the appearance and performance of the final product. We help companies and cities manage their vital water resources. We create color for plastics, paints, inks, paper, wood and even hair. We use UV light to dry and harden coatings, printed layers and electronic components. Our permanent commitment to chemical research and process development means that we can synthesize complex functional molecules quickly and economically. Innovation drives our business.



OUR LOCATIONS

Ciba Specialty Chemicals is a global company, with over 60 production sites in 20 countries, 22 R&D centers in 12 countries and over 14,000 employees. We are a customer-focused business with a balanced geographical presence.

We were among the first foreign specialty chemicals companies to enter the Asian market, in China in 1886. We are investing in new production facilities in China and Singapore, as well as in an expansion of our operations in India. We are also expanding our market position in Latin America, Eastern Europe and the Middle East, and continue to have strong customer partnerships in NAFTA and Europe.



CHAIRMAN'S STATEMENT

2006 has been a year of transformation for Ciba Specialty Chemicals. A year in which we sold our Textile Effects and Masterbatch businesses, refined the Company strategy and launched the Operational Agenda, our program to improve efficiency throughout the organization. It has also been a year where we have delivered good sales growth and underlying profitability improvements in our financial results.

Key to the transformation has been the optimization of our strategy, which has now given us the opportunity to focus on our three core businesses, Plastic Additives, Coating Effects and Water & Paper Treatment. With this, we have concluded that innovation and production investment will primarily be directed at the high potential growth markets in Plastic Additives and Coating Effects. The emphasis in Water & Paper Treatment will be on cost leadership. We will also continue to invest in high potential niche businesses, such as Personal Care, Oil & Lubricants, Electronic Materials and Expert Services.

IMPROVING EFFICIENCY

In 2006, we launched the Operational Agenda to increase the efficiency and effectiveness of all our key processes and thereby achieve a CHF 400-500 million improvement in cost structure by 2009. The program is made up of a number of initiatives spanning production, organizational footprint, IT systems, marketing and sales, innovation and performance culture. Over the next three years, we expect the strategy and the Operational Agenda to boost sales in local currencies on average, by 3 to 4 percent per year; increase operating income margins by 1 percent of sales per year in 2007 and

2008, with an accelerated improvement thereafter; and to significantly improve free cash flow beginning in 2008. Costs for the program are anticipated to be CHF 250-300 million from 2006 to 2009, and around 2,500 fewer positions should be required by 2009.

The Lean Manufacturing initiative, where we are aiming to optimize our global production network, has made significant progress in 2006. The team has completed diagnostics in more than half of our 20 major sites and efficiency improvement programs are already underway.

The sale of Textile Effects gave us the opportunity to review our geographical footprint and assess how best to serve our customers in the remaining businesses, which are more global in nature. As a result of this initiative, we have closed our offices in Greece, Portugal and New Zealand, but will continue to serve our customers in these markets. This initiative will continue throughout 2007.

2006 also saw the initial roll out of a new integrated information technology platform with consistent, transparent company-wide data handling. The first roll-outs in Italy and the UK, as well as the global product management system, went live without major disruption and the rest of Europe, followed by the Americas and Asia will be rolled out over the next two years.

The Operational Agenda is not just about efficiency, we are also continuing to strengthen key account management and pricing strategy throughout 2007. Along

with this, we are taking active steps to promote a performance and leadership culture and strengthen individual, performance driven incentive schemes.

CREATING FUTURE OPPORTUNITIES

Another key success factor of our Company strategy is making sure that we are strongly positioned in the right markets to deliver growth. Part of this involves our continued expansion in Asia, where 27 percent of our sales are generated. In 2006, we announced further investment in the region, including a new plant in Qingdao, China. Our Plastic Additives plant in Singapore is on track to come on stream in 2008 and production has started up at our new Water & Paper Treatment facility in Ankleshwar, India.

Making sure we are well positioned for growth also means making sure we are at the leading edge of innovation. We are developing organic chemicals for the next generation of flat panel displays and in 2006, launched time temperature indicators, heat sensors for food packaging that determine the freshness of the product. We also renewed our partnership with the Swiss Federal Institute of Technology in Zurich, and established a multidisciplinary cooperation with the Max Planck Institute for Polymer Research in Mainz, Germany, working together on printable electronics for new breeds of sensors, tracking technologies and displays.

Innovation for us, however, is not just about being leading edge, it is about extracting the maximum value from our innovation investment of 4.3 percent of sales. A key component of the Operational



"I am confident that reshaping the Company is further strengthening our market position and will enable us to continue performance improvements in the coming year."

Agenda is the allocation of research and development funds to achieve this value, and to this end, in 2007, we will start bundling groups of technologies together and focusing on fewer, but higher potential research projects.

ACTING RESPONSIBLY

Another area of critical importance for the Company is our Environment, Health and Safety record. In 2003 we set three-year targets – '0-10-10' – for zero lost-time accidents, and 10 percent reduction in both water use and CO₂ emissions. We are very pleased with the results. By the end of 2006, we had achieved far more than the required reduction in water use and CO₂ emissions per tonne of product, and the trend in the number of lost-time accidents was down over the three years.

This year a new set of four-year '0-10-10' targets has been launched, again with the aim of zero lost-time accidents, but also with two new targets – a 10 percent increase in the proportion of renewable energy used and a 10 percent reduction in unused waste per tonne of product.

2006 FINANCIAL TARGETS ACHIEVED

I am pleased to report that we have shown improvements in our financial results and achieved the targets we set at the beginning of 2006. Sales growth was strong, up 5 percent in Swiss francs and 4 percent in local currencies, mainly driven by Asia and Europe, with some weakening in the US. Operating income, before restructuring, impairment and other charges (special effects), for the year was CHF 531 million, up 5 percent over 2005. The 2005 operating income figure had also included an additional CHF 68 million of gains from asset disposals. In spite of

this, operating income margin for 2006 reached the same level of 8.4 percent of sales. Profitability was boosted by the results of the efficiency program, Project Shape. This Project has now been completed and since its inception in 2004, has achieved the expected savings of CHF 95 million. In 2006, an additional CHF 36 million of savings was also achieved through other cost containment measures.

Income from continuing operations before special effects was CHF 306 million, however once the losses relating to the divestment of Textile Effects are included, we reported as expected a CHF 41 million loss overall. Our net debt position improved by CHF 88 million during the year, to CHF 1.85 billion. Free cash flow was significantly higher at CHF 195 million, compared with CHF 176 million in 2005.

I am confident that reshaping the Company is further strengthening our market position and will enable us to continue performance improvements in the coming year. Assuming business conditions remain similar to 2006, we expect increased sales growth in local currencies. Before restructuring, impairment and other charges, operating income margin is expected to increase by 1 percent and net income in Swiss francs, as well as free cash flow are both expected to be above 2006.

NEW CEO FROM 2008

The Board of Directors of Ciba Specialty Chemicals has decided to dissolve the double mandate as of January 1, 2008, after the strategic transformation of the Company is successfully implemented.

Brendan Cummins, Chief Operating Officer since October 2005, will be appointed as the new CEO. I will focus on my role as Chairman of the Board. The Board of Directors has also decided to cancel employee retention agreements that had entitled members of the Executive Committee and three other senior managers to receive severance payments in the event of a change of control of the Company. With the end of the double mandate as well as the elimination of compensation payments in the event of a control change, the Company is underlining its commitment to further strengthen corporate governance.

DIVIDEND OF CHF 3 PROPOSED

We remain committed to delivering value to our shareholders and I am pleased to confirm that we will once again propose a dividend of CHF 3 per share at the Annual General Meeting on March 8, 2007.

Also on behalf of the Board of Directors and the Executive Committee, I would like to thank our employees, customers and shareholders for their support in 2006.

Armin Meyer
Chairman of the Board and
Chief Executive Officer

LEADERSHIP

BOARD OF DIRECTORS



1 ARMIN MEYER
Chairman of the Board and
Chief Executive Officer

2 KURT FELLER¹
Vice Chairman of the Board
and Lead Director

3 ERWIN HERI
Member of the Board

4 GERTRUD HÖHLER
Member of the Board

5 PETER LITTMANN
Member of the Board

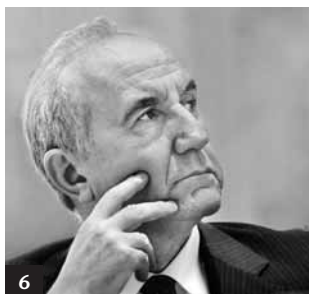
6 JEAN-MARIE LEHN
Member of the Board

7 ULI SIGG
Member of the Board

8 BEAT HESS
Member of the Board

¹ Kurt Feller will retire from the Board of Directors at the AGM in March 2007.

EXECUTIVE COMMITTEE



1 ARMIN MEYER
Chairman of the Board and
Chief Executive Officer

2 BRENDAN CUMMINS
Chief Operating Officer

3 MICHAEL JACOBI²
Chief Financial Officer

4 MARTIN RIEDIKER
Chief Technology Officer

5 HERMANN ANGERER
Coating Effects

6 GIORDANO RIGHINI
Plastic Additives

7 MARK GARRETT³
Water & Paper Treatment

² Jürg Fedier, currently CFO Dow Chemicals Europe, will take over from Michael Jacobi, as CFO, effective mid-March 2007.

³ James McCumiskey, former head of the Water Treatment business, took over from Mark Garrett as head of the Water & Paper Treatment segment on 1 February 2007.

MILESTONES 2006

- We sold our Textile Effects business to better focus on our three core businesses: Plastic Additives, Coating Effects and Water & Paper Treatment
- We refined our strategy, defining distinct portfolio roles for each business and establishing a targeted, top-down allocation of resources
- We launched the Operational Agenda to improve the effectiveness and efficiency of key processes
- We improved underlying profitability, despite continued high raw material costs
- We successfully launched a new IT system supporting harmonized global business processes
- We divested our Masterbatch business to further focus our portfolio
- We announced plans to invest in a new plant for high performance pigments and additives in Qingdao, China
- We developed a next-generation clarifier for polypropylene, enabling a transparent, stable material for packaging manufacturers
- We launched a new web standard for high quality color, 3D and surface visualization for designers and marketers
- We refinanced CHF 600 million of bonds in the largest buyback of its kind in Switzerland

BUSINESS REVIEW



PLASTIC ADDITIVES

Plastic Additives saw strong demand throughout 2006, particularly in the polymer products and home and personal care areas, with sales at CHF 2.1 billion, 8 percent higher than 2005 in Swiss francs and 7 percent in local currencies. Volumes increased 7 percent and sales price increases were achieved in some areas to mitigate the impact of increasing raw material costs, but overall remained flat. Additional efforts to improve efficiency helped to offset the increases in raw material costs and led to increases in operating income to CHF 312 million (2005: CHF 260 million) and margin as a percentage of sales to 14.9 percent (2005: 13.4 percent).



COATING EFFECTS

Sales in Coating Effects reached CHF 1.8 billion, 6 percent higher in Swiss francs over the previous year, and 5 percent higher in local currencies. Volumes were 8 percent higher, while sales prices decreased by 3 percent, significantly impacted by the Electronic Materials business line, where products typically have a very short life cycle. All business lines exceeded prior year sales in Swiss francs and local currencies. Operating income increased to CHF 244 million (2005: CHF 226 million) or 13.6 percent of sales (2005: 13.2 percent) reflecting the higher volumes and additional efficiency improvements. In order to strengthen profitability, in 2006, the Segment streamlined its portfolio, reducing the number of products by 20 percent.



WATER & PAPER TREATMENT

The Water & Paper Treatment segment reached CHF 2.5 billion of sales in 2006, up 3 percent in Swiss francs and 1 percent in local currencies. Sales prices could be increased in the Water Treatment business to mitigate, although not fully compensate for the increasing raw material costs, while Paper felt downward pressure on prices. Overall sales prices in the segment were flat and volumes 1 percent higher. Operating income was CHF 81 million (2005: CHF 128 million) or 3.3 percent of sales (2005: 5.4 percent). Based on the results of a strategic review, the Segment has initiated a series of actions to improve the unsatisfactory performance. Particular focus is on the paper business where marketing and sales, and the geographical approach, will be more differentiated and tailored to specific business models according to market requirements.



New clarifier by Ciba Specialty Chemicals makes plastic packaging and containers easy to produce and transparent.

BUILDING ON OUR STRENGTHS

FOCUSING ON OUR CORE BUSINESS AND CAPITALIZING
ON OUR MARKET LEADING POSITIONS IN KEY INDUSTRIES



KNOWING OUR STRENGTHS

The key to profitable growth is a strategy that consistently aligns what we do best with what our customers want most. This lets us capture high margins for our innovation in fast-growing businesses – and excellent returns for our efficiency and market strength also in established industries.



STRENGTH

TUNING STRATEGY FOR GROWTH

The core businesses of Ciba Specialty Chemicals are Plastic Additives, Coating Effects and Water & Paper Treatment. After selling our textile business in 2006, we carefully examined our strategy, analyzing the market potential for each business and redefining how we allocate resources. Our innovation focus will be on Plastic Additives and Coating Effects, segments where we have strong industry positions with exceptional growth potential. In Water & Paper Treatment, the emphasis will be on cost leadership, capitalizing on our excellent market position while streamlining our operations for significantly improved profitability.

SECURING A LEADING POSITION IN PLASTICS

World plastics production first exceeded world steel production around 1990; it has nearly tripled since then. The market relevant to Ciba Specialty Chemicals – plastic additives and pigments – currently totals more than CHF 10 billion a year.

Ciba Specialty Chemicals is already a market and technology leader in several key areas in the plastics industry – yet,

even from this leadership position, there is still significant growth potential. Markets are expanding in Asia and the Middle East, while innovative products enable whole new ranges of applications.

In 2006, we introduced a new clarifying agent for polypropylene, a tough, heat-resistant plastic often used in hot-filled bottles and microwaveable kitchen containers. Until now, the additives used to achieve transparency often had a strong odor or degraded during the production process. With Ciba Specialty Chemicals new additive, odor-free and food-contact-approved in the US and Europe, customers in the food, personal care and home products industries now have a cost-effective resin for packaging with no troublesome limitations.

HARNESSING MARKET DRIVERS IN COATINGS

The global coatings market for chemicals exceeds CHF 50 billion, with an annual growth rate above 5 percent. The market relevant to Ciba Specialty Chemicals is worth around CHF 7 billion. Three factors drive its growth: the need for more environmentally-friendly coatings solutions to protect high-value installations and

equipment; the push for new effects to support higher quality of life across all regions; and the need to increase efficiency in application – saving energy, time and process costs.

All three factors demand deep knowledge of pigment and polymer science – areas in which we are a world leader, with a strong technology position and a global presence. We have brought a glittering new range of metallic, pearlescent and fluorescent colors to markets as diverse as packaging, industrial coatings, vehicle parts, plastic flooring and even security printing, where the color is only visible under ultraviolet light. These effect pigments not only create the attractive shine of metal in coatings, inks and plastics, they more than double the range of shades our customers can offer without extra cost or complex production techniques.

We also have unique expertise in plasma curing for automotive coatings, setting a new standard in scratch resistance and productivity with quick, efficient application and greatly improved environmental



We are building on the strengths of our core businesses: vibrant colors for coatings with our special-effect pigments; smooth-running processes in the paper industry with our expertise; and many industrial customers relying on our water treatment products.

performance. We are marketing our expertise in cooperation with other technology companies and are completing a successful trial with one of the world's major automakers.

RISING TO THE CHALLENGES IN WATER & PAPER TREATMENT

In almost every country – even those with well-established infrastructures – water use is under increasing pressure: requirements for treatment of wastewater and pre-treatment of process water are becoming ever more stringent. The current world market for water treatment, including services

and equipment, is over CHF 500 billion, CHF 11 billion of which is for water treatment chemicals. This provides immediate scope for Ciba Specialty Chemicals to build on its strong chemicals position and offer complete industrial water management solutions.

In Canada, our water treatment chemicals, along with our process and lubricant additives, are ideal for the booming tar-sands oil business. The province of Alberta contains more recoverable petroleum than Saudi Arabia. The challenge is to manage the separation of oil from

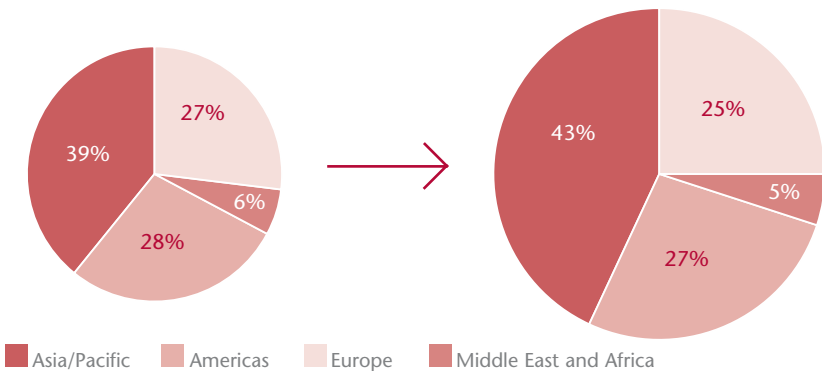
sand, water and clay in a cost-effective and environmentally responsible way. Our expertise in just these technologies gives us a strong position in an industry that is set to triple in size over the next ten years.

Strong growth in Asia will drive our paper chemicals business, as rising local living standards increase consumption of all grades of paper. Our strong product portfolio, along with our best-in-class applications expertise, lets us supply optimal solutions to the world's leading paper-making companies. We have developed a new, patented system of retention, drainage and formation aids, which allow customers to reduce their cost of raw materials, while consistently producing high quality paper even on the world's fastest machines.

GROWTH OF GLOBAL PLASTICS MARKET

2005 235 million tons

2010 304 million tons



Asia/Pacific Americas Europe Middle East and Africa
Source: Plastics Europe 2005



Ciba Specialty Chemicals enables seamless processes in paper production.



IMPROVING EFFICIENCY

MAXIMIZING RETURNS FROM IMPROVED
PROFITABILITY, WITH LEAN MANUFACTURING
AND HARMONIZED BUSINESS PROCESSES

THERE IS ALWAYS A BETTER WAY

Improved production methods save time, energy and raw materials; improved business processes boost profits. Nothing stands still in our business: we are constantly looking out for improvement, whether it's a new product application or a new customer relationship. Wherever there's a better way – we want to make sure it's our way.



EFFICIENCY

FOCUSED BUSINESS, LEANER COMPANY

Selling Textile Effects in 2006 enabled us to focus more strongly on our three core businesses. It also gave us the opportunity to transform our operations, and improve efficiency and effectiveness in all our key processes.

This transformation, the Operational Agenda, will fundamentally change the way we work and substantially improve the cost structure of the Company. We aim to show a CHF 400-500 million improvement over the next three years.

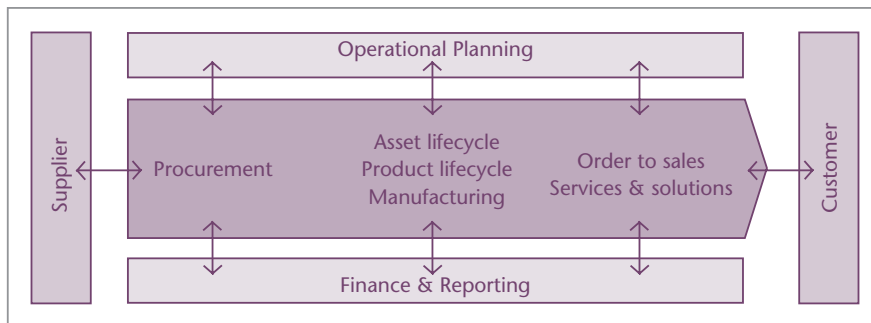
OPTIMAL EFFICIENCY EVERYWHERE

Lean Manufacturing – a key component of the Operational Agenda – identifies and implements ways to optimize global production. Each site receives diagnostic tools to analyze its use of time, personnel, equipment, materials, maintenance, energy and so on – highlighting areas of waste and duplication that can be eliminated. The goal is not simply to reduce

cost, but to devise better production processes while maintaining the highest environmental and safety standards. This systematic approach, which tracks uniform measures and shares best practice from other sites, will give each manufacturing facility the impetus to generate savings and increase yield. Lean Manufacturing initiatives have already begun at some of the largest plants in Europe and NAFTA and will spread throughout the Company.

The sale of Textile Effects has given us the opportunity to re-look at how we operate in many countries: we can now rationalize our local and regional organization to reflect the needs of our continuing operations. This involves planning the most effective routes to market for each business and, where necessary, consolidating locations, legal entities and support functions to ensure that resources remain in place where the customers most value them.

HARMONIZED BUSINESS PROCESSES FROM AN INTEGRATED IT PLATFORM





We are continually improving our processes: in research, we are accelerating the development of innovative products; in production, our operations are being streamlined for greater efficiency; and new IT systems make our data management more transparent.

A SIMPLIFIED GLOBAL SYSTEM

Ciba Specialty Chemicals is harmonizing its global business processes and creating a single, integrated information technology platform with consistent, transparent company-wide data handling. The system is based on SAP software and will allow seamless information flow from sales to production, with lower inventories and greater purchasing efficiencies. The implementation schedule is highly demanding, but we are making it possible through careful planning and extensive pre-testing of the new software environment. Our businesses in the UK and Italy are already operating on the new system, as is our global product management system, which processes all safety, regulatory and life cycle information for each of our products. The rest of Europe will join in the next phase, to be closely followed by the Americas and Asia.

The Operational Agenda continues our commitment to improving our marketing and sales approach. We are more effectively utilizing market intelligence, strengthening our key account management and reinforcing the partnerships we have built with our largest customers. We have also standardized tools to ensure that marketing plans across the businesses reflect best practice and our routes to market are optimized. In parallel, we are improving our pricing management to ensure our product and service offerings meet customer demand and are valued accordingly.

PROFITABLE INNOVATION

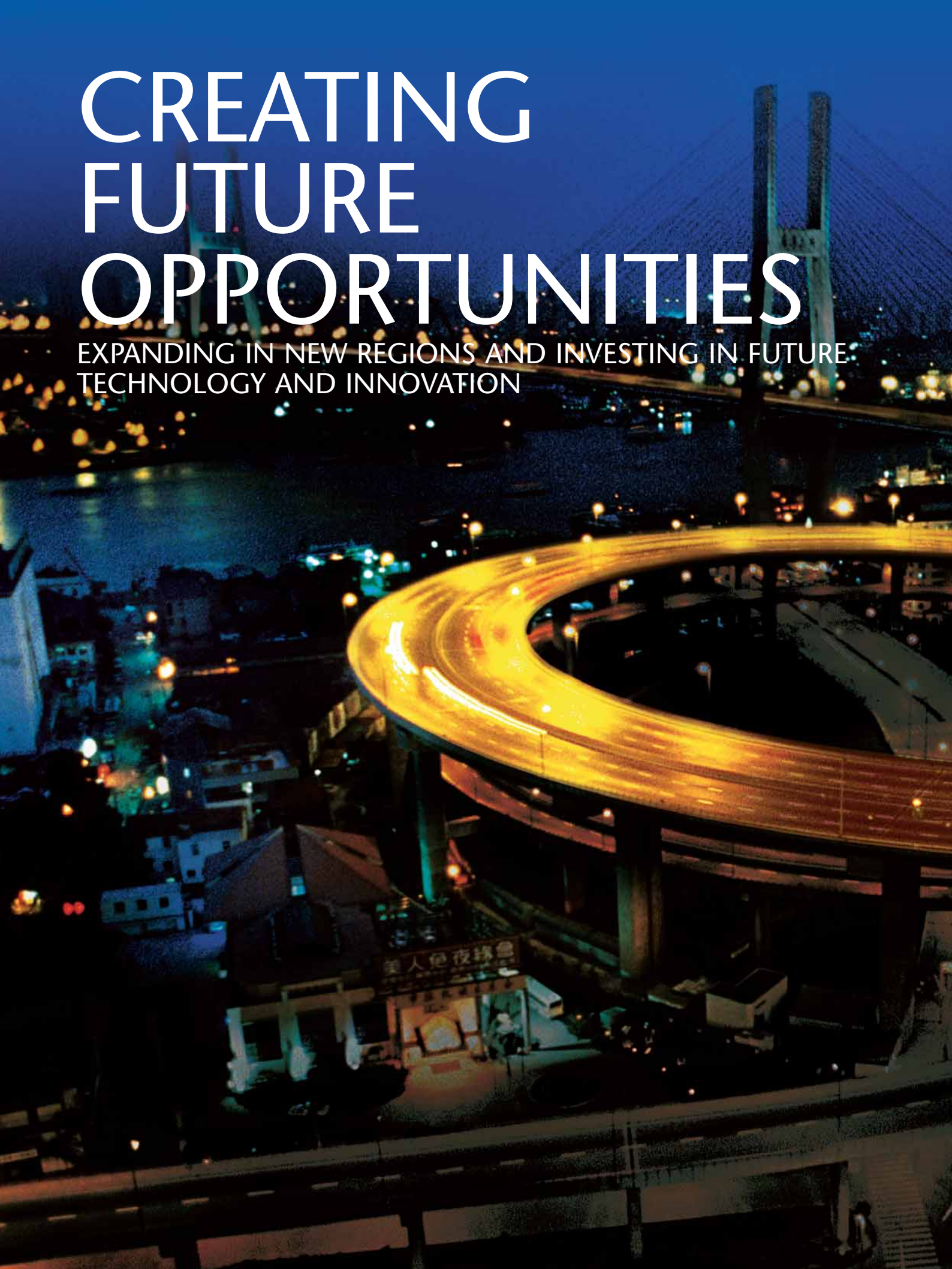
The Operational Agenda is helping us create a leaner, more flexible company, able to respond to global markets efficiently and decisively. This fits well with our innovation strategy: extracting maximum value from our expertise and focusing resources on projects with high potential. We – and our customers –

greatly value the know-how in our Company; it is an irreplaceable asset, with the potential for continuous excellent returns. But innovation for Ciba Specialty Chemicals is not just about our internal capability, it is also about cooperation with selected external partners, both commercial and academic. This integrated approach will ensure that we keep improving our time-to-market for new products and that we achieve the best returns from our R&D investment.

The key is to establish uniform, Company-wide methods, measures and structures; clearing the way to let our people do what they do best: delivering effects that improve the quality of life – efficiently and profitably.

CREATING FUTURE OPPORTUNITIES

EXPANDING IN NEW REGIONS AND INVESTING IN FUTURE
TECHNOLOGY AND INNOVATION





Shanghai: Looking to the future. Ciba Specialty Chemicals is there – with a major R&D and business center.

THE RACE TO TOMORROW

Change happens fast. Profitable innovation depends on anticipating change: in markets, consumer trends, and technology. Yesterday's emerging region is today's industrial powerhouse. Yesterday's blue-sky research is today's must-have product. To keep ahead, we keep moving... and keep our eyes open.



FUTURE

BUILDING ON GROWTH IN CHINA

China is no longer an emerging country. It has emerged as the third-largest producer of chemicals in the world, with a market expected to grow in double digits for the next few years. Ciba Specialty Chemicals began operating in China more than 100 years ago; it is now one of our biggest markets. We have long-standing partnerships with customers in the region, a substantial investment in local R&D and production, and a group of competent, committed employees.

Our strategy for accelerated growth in China has five components: developing our local people; focusing on selected growth markets where standards of living and environmental performance continue to rise; adapting our product offering for the Chinese market; further investment in local production; and capitalizing on our in-country R&D capabilities. The goal is to grow 50 percent faster than our relevant market.

Production capacity in Asia is being significantly expanded, with a new manufacturing plant for high performance pigments and additives in Qingdao, China, as well as our major Plastic Additives

production investment in Singapore. We have also expanded our Water & Paper Treatment facility in Ankleshwar, India, which became operational in 2006. In addition, we are also leveraging manufacturing partnerships – for lubricant additives in China and pharma-grade antimicrobials in India.

SHEDDING NEW LIGHT ON OLEDs

As well as pursuing growth in our global high-potential markets and improving profitability where we are already leaders, Ciba Specialty Chemicals is always alert to opportunities to extend our position in selected niche markets with attractive growth prospects. One of these is electronic materials, where Ciba already has leading positions in pigments and additives for the over CHF 30 billion flat panel display chemicals market, as well as deep expertise in electroluminescent materials.

We are capitalizing on this leadership with a dedicated manufacturing facility making specialized materials for organic light-emitting diodes (OLEDs), semiconductors created from thin layers of

organic material only a few nanometers thick. OLEDs have three key applications: as the next-generation technology for flat panel displays, offering better brightness, contrast and viewing angle than LCD screens with greatly reduced power consumption; as flexible and transparent displays; and as a strong, diffused low-energy lighting source. In April, we announced an industrial collaboration with Novaled, whereby we will manufacture their high purity advanced organic materials. This arrangement complements our other activities in the OLED field and underlines our expertise in producing high quality, high purity, state-of-the-art materials for electronics. It also puts us in an excellent position to participate in a market that is expected to grow exponentially over the next five years.

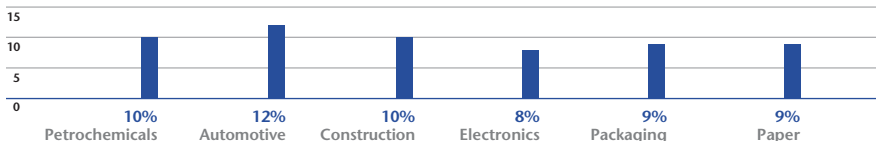
EXTENDING OUR EXPERTISE

Expert Services – our independent consulting and knowledge-based business – is another niche area with attractive potential returns. In April, it announced the acquisition of Cantox Health Sciences International, a leading regulatory and scientific consulting firm in areas ranging from food and nutrition, pharmaceuticals, healthcare and chemicals to consumer



We are shaping the future now: electronic materials from Ciba Specialty Chemicals enable new technologies like OLED displays; China promises exceptional local growth; and Expert Services advises in the high potential healthcare sector.

FORECAST GROWTH FOR KEY INDUSTRIES IN CHINA (2006-2010)



Figures are from a variety of sources including the Economist Intelligence unit and the 2005 China Industry Annual Report

products. The acquisition gives both parties a route to accelerated organic growth: it allows Ciba Specialty Chemicals to offer comprehensive regulatory and product safety consultancy to customers in many industries, while Cantox (which will continue to operate under its own well-respected name) will gain access to new geographic areas and to Expert Services' analytical and testing capabilities.

SPOTTING OPPORTUNITIES IN R&D

Around 1,300 Ciba Specialty Chemicals researchers around the world continue to develop our proprietary technology platforms. Our innovation strategy includes both focused allocation of in-house

resources to high-potential projects and targeted cooperation with academic and commercial partners to accelerate and extend access to new markets.

We have, for instance, a long-standing connection with the advanced materials research departments at the Swiss Federal Institute of Technology in Zurich. We have also established a multidisciplinary cooperation with the Max Planck Institute for Polymer Research in Mainz, Germany, working on printable electronics for new breeds of sensors, tracking technologies and displays. This technology depends critically on advanced materials chemistry. Collaboration between one of the world's leading research labs in this

area and one of the world's leading manufacturers brings clear advantages to both. We have become a lead investor and advisory board member for the Pangaea Ventures Fund, led by one of North America's leading venture capital firms in advanced materials and specialty chemicals. Our participation gives us access to early stage innovation as well as contact with a network of leading-edge research institutions across the US and Canada. This investment is designed to complement Ciba Specialty Chemicals' own R&D program, providing speedy access to promising new technologies.

We are also an active participant in InnoCentive, the world's first online network for the global research and development community. By posting a specific R&D challenge on InnoCentive, we can tap into the scientific community in over 170 countries, an innovative opportunity that helps us boost efficiency and shorten time-to-market.



Quality of life matters for Ciba Specialty Chemicals – we take our responsibilities very seriously.



ACTING RESPONSIBLY

SAFEGUARDING THE WELFARE OF OUR EMPLOYEES,
OUR ENVIRONMENT AND OUR COMMUNITY

PEOPLE ARE OUR KEY ADVANTAGE

As we sharpen our market focus and boost our efficiency, we will rely even more on the talents and dedication of our people. Our goal is to make sure that everyone's contribution makes a positive difference.



PEOPLE

THE BEST OPPORTUNITIES FOR THE BEST PERFORMANCE

The heart of Ciba Specialty Chemicals' employee strategy is leadership and empowerment – giving people both freedom to act and responsibility for performance. We want a working environment where skilled, engaged people can fulfill their potential and see results from their efforts. We are fast-tracking talented young managers and developing better defined career paths to improve retention. We are also introducing a program to bring in top graduates with high potential to our corporate headquarters and provide them with comprehensive business training. We have long had a similar program for chemists, and are now extending the concept to business graduates.

The chemicals industry has traditionally been dominated by men, but we are increasing the number of female managers in the Company: the percentage of women in the management development candidate population is now 25 percent.

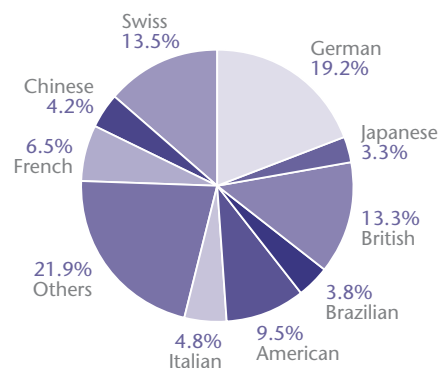
BUILDING THE FUTURE IN CHINA

Making the most of our opportunities in China demands a people strategy that takes account of present realities while preparing for rapid change. Right now, the challenge is to recruit and retain the skilled local talent we need to keep pace with double-digit market growth. We are achieving this through China-specific human resources solutions: creating a highly defined progression through a multi-layered management structure with more opportunities for promotion – combined with a range of dedicated training programs, especially for mid-level managers.

Emphasis in China's chemicals industry will soon begin to shift from production to marketing, as consumer spending takes over from investment as the major driver of growth. We are anticipating this change with a dedicated regional marketing strategy, exploiting our strengths in selected key markets. Part of this strategy involves increasing the proportion of local management across all functions: sales and marketing, technical, production and service. The aim is to maintain the closest possible integration between market needs, development priorities, and inno-

vation. At the same time, we are ensuring we connect our local positions with the global company by giving opportunities for international rotations to our Chinese managers, as well as actively trying to move more senior positions to the region. This year, 23 managers completed our Asian leaders program – two weeks at top business schools, INSEAD in Singapore and CEIBS in Shanghai. This program has been so successful, that we are planning to develop a similar one for other regions.

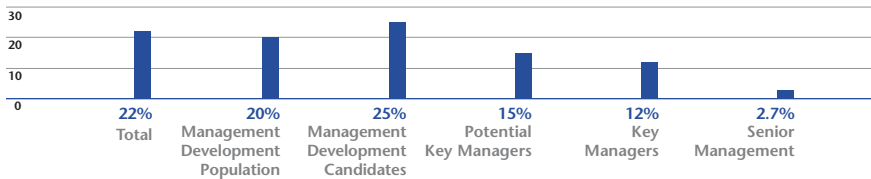
MANAGEMENT DEVELOPMENT POPULATION: NATIONALITIES





We promote talent in all functions all over the world: strengthening our leadership culture and encouraging each individual to take personal responsibility.

GENDER DIVERSITY (Females in % of total)



RESHAPING THE COMPANY

The divestment of Textile Effects in 2006 involved a range of challenging people issues, which have now largely been addressed. The implementation of the Operational Agenda will involve a reduction of around 2,500 positions globally by 2009 – a result both of more efficient manufacturing and business processes, as well as geographical rationalization. Most of the job reductions will be in Europe and the Americas; since the program will take three to four years, we anticipate that a significant number of the reductions will be through natural attrition. In all cases, the Company will work to implement this change in a socially responsible manner.

A WORLD STANDARD FOR ETHICS

The Code of Conduct requires all our employees to comply with the laws and regulations of the countries where we work; to take the necessary action to protect the environment and the health and safety of fellow employees, customers, and society; and to treat each other fairly and with respect, rejecting all discrimination or harassment.

With regard to business practices, the Code of Conduct stipulates that we guard against conflicts of interest, steer clear of bribery or receiving inappropriate gifts in connection with our business, avoid anti-competitive practices such as price-fixing, guard against insider trading, and protect the Company's property and trade secrets. The Code is truly global; its principles of responsibility, fairness, respect, honesty, integrity, and openness apply equally in every country where we operate.

The Code has been revised slightly as part of our preparations for compliance with the Sarbanes-Oxley Act, clarifying responsibility for and access to Company records and appropriate use of communications devices, such as the Internet. In 2006, we rolled out a comprehensive training program for both current employees and new hires. All employees are now asked to sign the new Code.

A DRIVE TO PERFORM

Part of becoming a more agile company is to distribute responsibility for performance more widely. This is the mandate of the Performance Culture and Leadership initiative, a high-level program to review and challenge the current performance culture and leadership style of the Company. Over two years, we will pursue both a top-down push toward performance-driven leadership style and a bottom-up emphasis on individual accountability for shared success. Building a genuine performance culture is a long-term program, but it is a clear priority for Ciba Specialty Chemicals – since our mission is to achieve and maintain leadership positions in a fast-changing industry.

BE LOCAL GLOBALLY

We are a global company with facilities all over the world. Wherever we operate, we want to be a responsible corporate citizen. This means not just complying with national and local regulations, but also meeting the expectations of our neighbors – joining, as a company and as individuals, in the life of our community.



COMMUNITY

FOUR LOCATIONS, ONE STRATEGY

McIntosh, Alabama; Suffolk, Virginia; Newport, Delaware; West Memphis, Arkansas: the Ciba Specialty Chemicals manufacturing plants in the United States offer excellent examples of the breadth and depth of commitment we make to good community relations. As elsewhere in the world, the key is to understand what will make the most difference to the people around us – and then do it.

SAFE PLANTS MAKE GOOD NEIGHBORS

Without a good safety record, nothing else matters. What our closest neighbors care about most is our commitment to safe work and a clean environment. Our Suffolk plant is particularly proud of having the best safety record in the Company, with more than 6 million accident-free working hours since March 1999. Suffolk, like many of our plants, has its own fire brigade, as well as employee teams trained as Emergency Medical Technicians. In West Memphis, our safety officers work

closely with the local fire, police and ambulance services, help lead county emergency management and serve on the local emergency planning committee.

The McIntosh, Suffolk and Newport plants have attained the Occupational Safety and Health Administration's STAR distinction, awarded to facilities with the highest standards of worker health and safety. Newport is a charter member of the Environmental Protection Agency's Performance Track Program, which includes companies that demonstrate exceptional efforts to reduce and prevent pollution. Newport also publishes and distributes a booklet for local residents explaining what to do in an emergency, while West Memphis works with the local fire department to share information on fire prevention.

BRINGING INDUSTRY TO THE CLASSROOM

Ciba Specialty Chemicals has always put particular emphasis on science education and helping young people gain the experience of working life. We believe it

makes sense to foster the talents we – and society – will depend on tomorrow. Our McIntosh facility, in combination with the NAFTA-wide Ciba Foundation, sponsors a highly popular exhibit at the Gulf Coast Exploreum Science Center: the Ciba Laboratory is a full-scale chemistry lab where visitors become scientists and do hands-on experiments. McIntosh also contributes funding and volunteer time to the Alabama School of Math and Science, and for six years has run a program of internships for local young people, introducing them to the world of employment under the guidance of an individual mentor.

Suffolk is a small city, but is growing very fast, which puts pressure on its school system. As one of the larger employers in town, Ciba Specialty Chemicals has a long-standing partnership with local schools, offering funding, facilities, volunteer time, and technology to ensure that students who want to pursue careers in science get the experience, advice and



We have close ties with our neighbors: at our Newport site we give children a glimpse of the world of chemical production; at our Suffolk site, an advisory panel maintains dialogue with its fast-growing city; and our McIntosh site sponsors an exhibition lab.

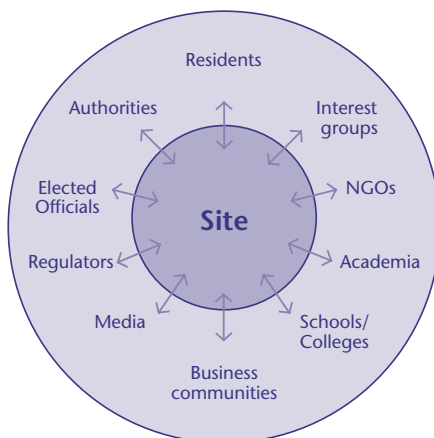
access to knowledge they need. The Suffolk, McIntosh, Newport and West Memphis plants participate in national science education programs funded by the Ciba Foundation, such as the Ciba Specialty Chemicals High School Chemistry Institute, High School Science Awards and Science Teacher Awards. They also support local initiatives in areas such as manufacturing education, robotics and information technology. In most cases we are offering not simply money, but the expertise and dedication of our employees – people whose passion for science is an inspiration.

CONTINUOUS DIALOGUE

Knowing what our neighbors expect of us means keeping in touch. Like many other Ciba Specialty Chemicals plants, Suffolk has a Community Advisory Panel, a group of neighbors and plant managers who meet regularly to discuss performance and address concerns. It also has a dedicated community relations telephone

number, where people can have their questions answered promptly, and distributes a newsletter to 6500 local households, covering environment, health and safety as well as employee volunteer efforts, local giving and product education. Our Newport plant has joined the Chemistry and Advanced Materials Alliance. This is a cooperative venture between industry and the state's Economic Development

CIBA SPECIALTY CHEMICALS IN THE COMMUNITY



Office, working together to recruit and retain new businesses in the area, improving prospects for local employment, local training and the whole local economy.

A WORLD OF COMMITMENT

Every Ciba Specialty Chemicals plant, like every community, is different from the others, but they all have one thing in common: the dedication of our employees. All over the world, our people give their time to serve on local government and school boards; to teach in local classrooms or tutor after hours; teach reading to the illiterate; support local organizations in emergencies; help build houses for the homeless and provide other support where it is needed. Doing what's needed: that's what it means to be a good neighbor.

ASSESS, REPORT AND IMPROVE

How we do our job is just as important as what we do. We are proud of our long tradition of emphasis on environment, health and safety. We know that our good record depends on three things: detailed scrutiny of our operations, open and consistent reporting, and a willingness to set ever higher goals.



Ciba Specialty Chemicals is a signatory to Responsible Care® programs



ENVIRONMENT

DOING GOOD MEANS DOING WELL

Ciba Specialty Chemicals has always put Environment, Health and Safety (EHS) at the heart of the business – not just because we are a responsible company, but because it also makes clear commercial sense. In our industry, the penalties for poor EHS performance are great; but the rewards for good practice are even greater: reduced costs, improved efficiency and added customer value.

GETTING BEST VALUE FROM EVERY CALORIE

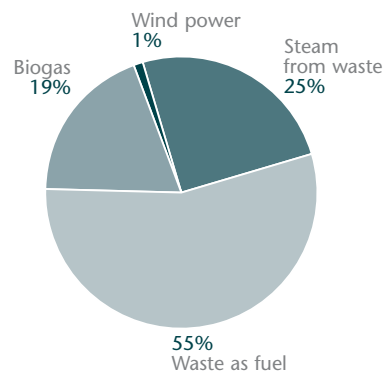
Consider energy, an area where environmental and commercial indicators point in the same direction: toward reduced consumption of fossil fuels and lower emissions of greenhouse gases. Energy is now our second-largest production cost item per ton of product; alternative energy sources and increased efficiency can therefore generate immediate benefits both for the environment and for the bottom line.

At Ciba Specialty Chemicals, we aim to fit the energy mix to local conditions: more solar in tropical sites, more hydro-electric in Europe. Our US plant in Suffolk is increasing its use of landfill methane for process heating. In Mexico and Italy, countries with a shortage of generation capacity, we are exploring co-generation projects, where we recover waste heat from small-scale power plants – an arrangement already used at sites in the UK and Germany.

Ciba Specialty Chemicals is a pioneer in the use of “comparable fuels” – waste materials, such as solvents, that would otherwise go for disposal without recovering their energy value. These fuels offer a double benefit: they reduce our purchases of oil and gas while simultaneously cutting our CO₂ emissions. Over the past few years, we have developed the specialized expertise needed to burn these fuels efficiently and cleanly, to the extent that we are now exploring the possibility of using the waste generated by neighboring industries at some of our sites.

Ciba Specialty Chemicals energy expertise is not restricted to our own operations: our Expert Services business offers know-how in environmental assessment and planning to customers around the world. Our Paper business advises mills on how to transform their waste into fuel, reducing demand for landfill while recovering energy from a renewable source – trees.

CIBA SPECIALTY CHEMICALS RENEWABLE ENERGY SOURCES





We give top priority to protecting the environment and maintaining the highest standards of health and safety: we check the safety of raw material deliveries at every stage and we aim to keep increasing our use of renewable energy sources in the future.

Our products also contribute to energy savings in customer industries. We have developed stabilizers that bring the performance of biodiesel (motor fuel derived from vegetable oils) up to the standards required by automotive manufacturers, paving the way for its manufacture from a wide range of crops in the US and India – where biodiesel markets are more than doubling every year. Our detergent additives also enable significant energy savings by facilitating low temperature washing.

SUCCESS FOR THE PRESENT, TARGETS FOR THE FUTURE

2006 saw the completion of the three-year “0-10-10” program, our headline group of EHS targets – zero lost-time accidents, and 10 percent reduction in both water use and CO₂ emissions. The results were highly encouraging: we achieved the required reduction in water use and CO₂ emissions per ton of product and, while there have still been some lost-time accidents, the trend was down over the three years.

The program will now continue over the next four years – 2007-2010. The goal of zero lost-time accidents remains and two new targets will be added: a 10 percent increase in the proportion of renewable energy used and a 10 percent reduction in unused waste per tonne of product.

Achieving a 10 percent increase in the proportion of renewable energy used would mean that 15 percent of all energy would come from renewable sources – a significant increase on the 5 percent we have now.

Our unused waste reduction target goes hand in hand with our determination to increase process efficiency. By re-using waste either as energy, raw material or as a saleable commodity, we continue to reduce our environmental impact while improving profitability.

We strongly believe that accidents are preventable: 80 percent are attributable simply to walking or mis-use of tools, rather than processes involving chemicals or heat. The key, therefore, is to nurture

and extend a safety mentality for every employee in every part of the job, not just in hazardous areas. The process analyses we are conducting for the implementation of leaner manufacturing processes as part of the Operational Agenda give us an excellent opportunity to reinforce this safety message.

ENSURING SHIPMENTS ARE SAFE AND SECURE

Every day, Ciba Specialty Chemicals transports chemicals all over the world. Naturally, when we are the producers, we ensure that these are properly packed and labeled and that shipments conform to all local and international regulations. But this is not the whole picture – we also purchase hundreds of thousands of tons of “Dangerous Goods” every year. Since our responsibility for the goods usually begins the moment they leave our supplier’s plant, we have extended our supplier EHS audits to include transport, scrutinizing our transport partners to ensure they operate legally, safely and securely. The audit process began in South America in 2006 and will be extended to Asia in 2007.

WORKING FOR POSITIVE CHANGE

2006 saw the sale of Textile Effects, which reduced both our overall environmental impact and our production volume. Net of both effects, however, most of our key environmental parameters continued moving in the right direction. We successfully completed our three-year program of targeted improvement – and are ready to go still further.



ECO EFFICIENCY

COMMENTS TO GRAPHS

This data was collected using our global SEEP (Safety, Energy and Environmental Protection) reporting system; it covers the period October 1, 2005 to September 30, 2006.

40 of our production sites reported, including joint ventures where we have management control. The data from these joint ventures was consolidated to 100 percent, regardless of our actual holding. Except for the accident statistics, data from our previous Textile Effects business was not included for 2006. We consolidated the figures in accordance with the UNCTAD Guidelines on Eco-Efficiency Indicators.

Out of our five parameters – energy use, water use, global warming contribution, contribution to ozone depletion and waste – four decreased in absolute terms over the past twelve months. In part, this was to be expected, since the sale of Textile Effects reduced the number of our sites and lowered production volume by 11 percent.

Net value added, not including currency exchange variations, also decreased by

11 percent in 2006, mainly due to higher raw material prices and a change of product mix. Some environmental parameters related to added value, therefore deteriorated slightly.

ENERGY USE dropped by 13 percent in absolute terms, or 2 percent when related to production. The substitution of fossil fuels through burning waste and using renewable energy sources remained broadly at the same level as in 2005.

WATER CONSUMPTION fell by 22 percent in absolute terms in 2006, or 12 percent when related to production. We more than surpassed our three-year target of reducing water consumption by 10 percent per ton of product by 2006: the reduction was 40 percent including Textile Effects (accounted up to June 30, 2006).

OUR GLOBAL WARMING CONTRIBUTION decreased by 12 percent in absolute terms and by 0 percent related to production. This includes 2 percent global warming potential from the emissions of ozone depleting substances. We have begun projects to reduce our overall energy consumption and are continuing to

substitute waste and renewable sources for fossil fuels. We exceeded our three-year target of reducing our carbon dioxide emissions by 10 percent per tonne of product by 2006: the actual reduction was 27 percent including Textile Effects (accounted up to June 30, 2006).

OZONE DEPLETION – our contribution to ozone depletion remains very low, but it increased in 2006 – mainly due to technical problems at two sites. We are pursuing programs to ensure that the cooling circuits in refrigeration plants and air conditioning units are leak-tight, and that new or replacement equipment will contain no ozone-depleting refrigerants.

WASTE generation fell by 8 percent in absolute terms. Related to production, this represents an increase of 4 percent, but our ratio of waste to production remains significantly below 1 at 0.81.

* NVA: Net Value Added – NVA is calculated in Swiss francs, using the formula: sales, minus costs of goods and services purchased, minus depreciation.

NVA based on 2000 – The eco-efficiency indicators are also shown at the currency exchange rates in effect in 2000 for comparison purposes.

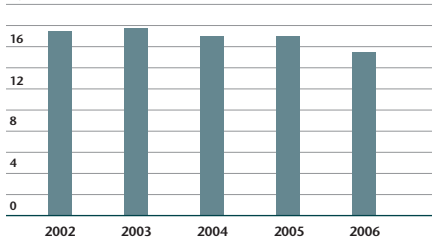


We have significantly exceeded our target for reducing CO₂ emissions into the atmosphere and almost halved our water consumption per ton of manufactured product in three years.

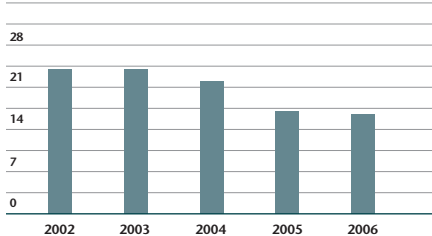
ENERGY USE

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.

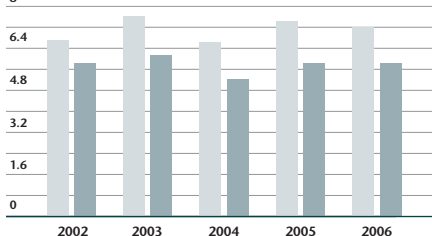
thousand terajoules



gigajoules / tonne product



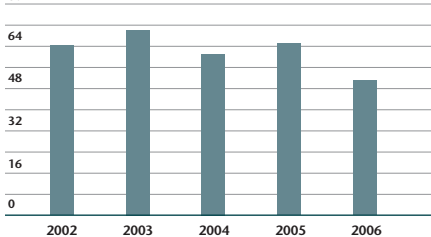
terajoules / million CHF NVA*



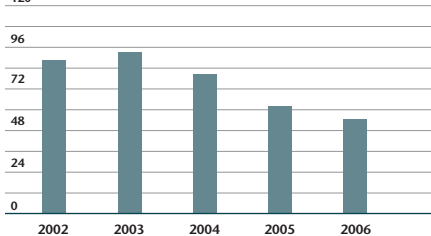
WATER CONSUMPTION

Total water entering sites, except rain and storm water.

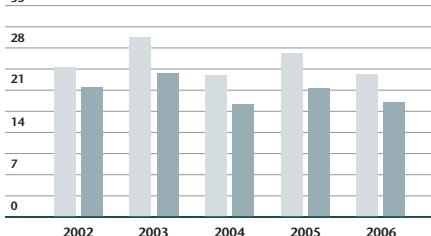
million m³



m³ / tonne product



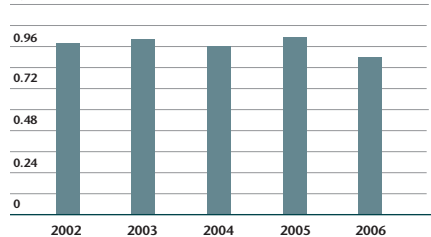
thousand m³ / million CHF NVA*



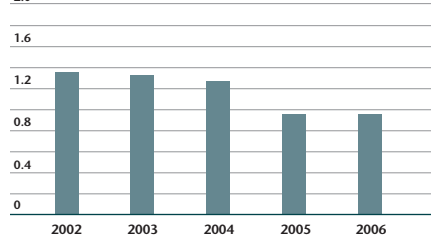
GLOBAL WARMING CONTRIBUTION

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).

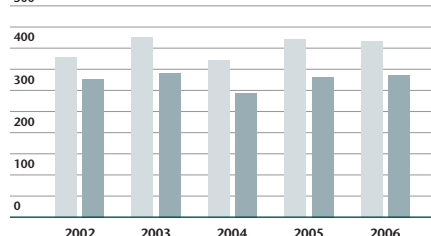
million tonnes CO₂ eq.



tonnes CO₂ eq. / tonne product



tonnes CO₂ eq. / million CHF NVA*



FULLY INTEGRATED INTO BUSINESS PROCESSES

We strongly believe that EHS is an integral part of our business. We know that environmental concerns create opportunities, rather than threats, for our business and our customers' success. That is why we make sure that EHS management is at the center of our key business processes.



VALIDATION STATEMENT

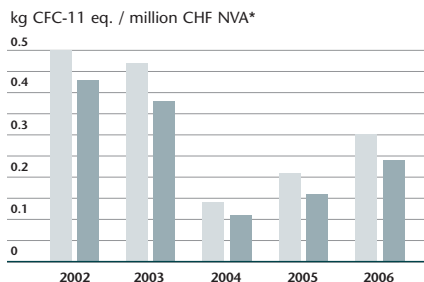
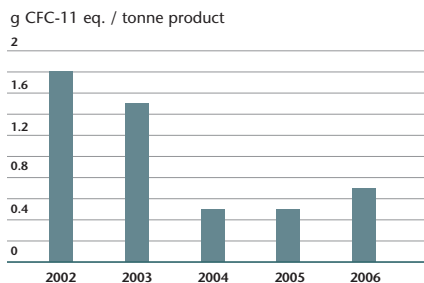
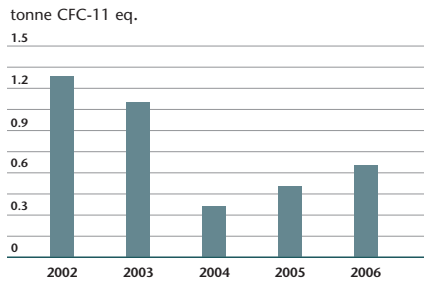
The Eco Efficiency data was validated by Ellipson AG.



The full statement can be found under www.cibasc.com/ehs

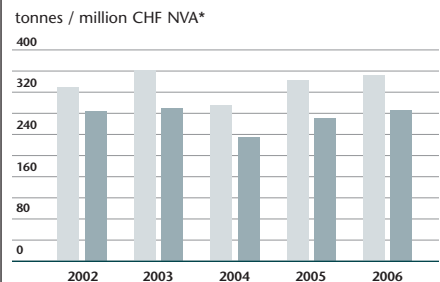
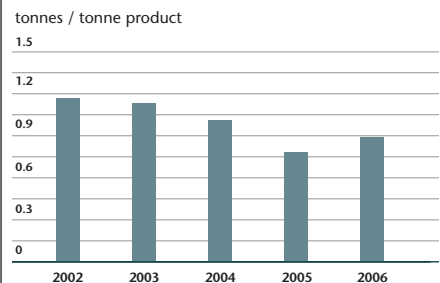
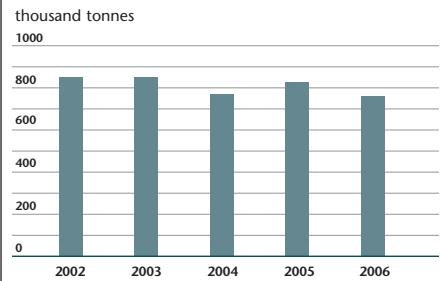
CONTRIBUTION TO OZONE DEPLETION

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



* NVA: Net Value Added

■ NVA based on 2000 currency exchange rates



We set very high safety standards worldwide: at all sites we remind our employees of basic protective measures and reinforce a safety-conscious mindset in all functions.

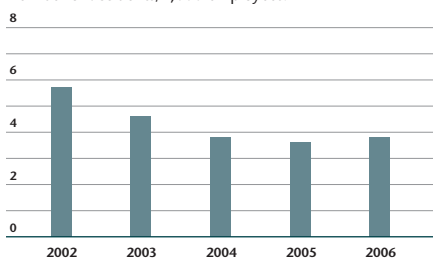
LOST-TIME ACCIDENTS 2006

The following numbers include the figures for Textile Effects until June 30, 2006.

The number of facilities out of 67 completing the SEEP year 2006 (October 1, 2005 to September 30, 2006) without a lost-time accident has increased. In 2006, 45 production sites reported zero lost-time accidents (2005: 39) and a further 9 had only 1 lost-time accident to report (2005: 14).

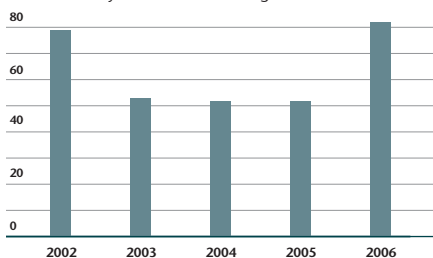
LOST-TIME ACCIDENT FREQUENCY

number of accidents/1,000 employees.



LOST-TIME ACCIDENT SEVERITY

number of days lost/million working hours.



THE FOLLOWING SITES REPORTED

ZERO LOST-TIME ACCIDENTS:

- | | |
|---------------------|---------------|
| Kwinana | Australia |
| Thomastown | Australia |
| Wyong | Australia |
| Pischelsdorf | Austria |
| Estrada do Collegio | Brazil |
| Paulinia | Brazil |
| St. Nicholas | Canada |
| Smith Falls | Canada |
| Jiangsu | China |
| Kaipiainen | Finland |
| Kokemaki | Finland |
| Lapua | Finland |
| Mietoinen | Finland |
| Toulouse | France |
| Grenzach | Germany |
| Lampertheim | Germany |
| Grimsby | Great Britain |
| Ankleshwar | India |
| Goa | India |
| Merak | Indonesia |
| Mortara | Italy |
| Ai-oi | Japan |
| Chiba | Japan |
| Kitaibarak/Isohara | Japan |
| Osaka | Japan |
| Cheonan | Korea |
| Doobon | Korea |
| Ulsan | Korea |
| Puebla | Mexico |
| Heerenveen | Netherlands |
| Guturribay | Spain |
| Kaohsiung | Taiwan |
| Suffolk | USA |
| West Memphis | USA |

Eleven former Textile Effects sites not listed

CLARITY AND TRANSPARENCY

We operate in an industry that is both highly dynamic and closely regulated. We are global, yet well aware of the differing requirements of every region and country. Good governance – with well-defined structures and procedures and a clear strategy – keeps us stable, yet agile and efficient.



GOVERNANCE

The Board of Directors (“Board”) is the most senior body of Ciba Specialty Chemicals. The Board defines the strategic direction and supervises the overall affairs of the Company. The Board also reviews the Company’s key plans and objectives, identifies external risks and opportunities and initiates required activities.

The Board continues to commit itself to maintaining the highest standards of integrity and transparency in its governance of the Company. The Board and Board Committee charters reflect the applicable principles in corporate governance 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:

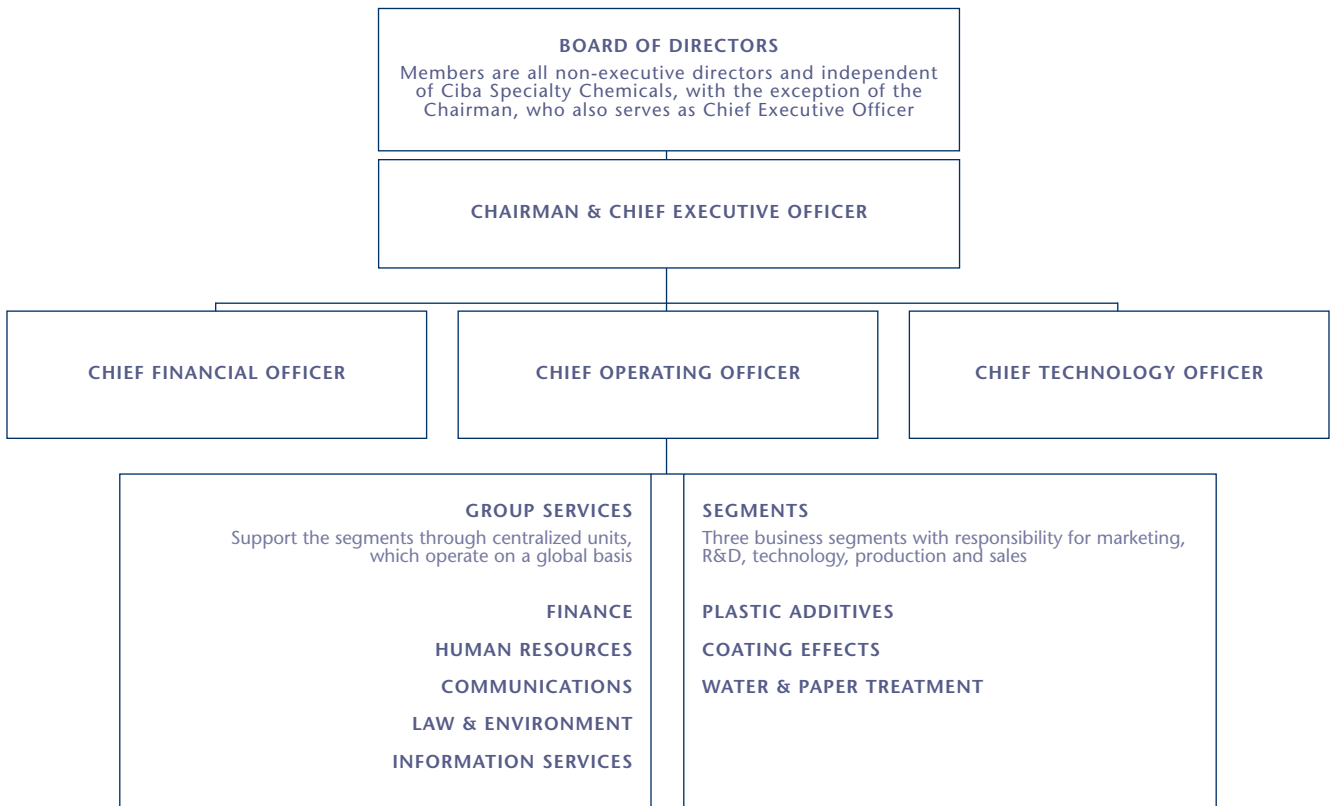
- A Lead Director (to counter-balance the combined mandates of Chairman and CEO) who chairs meetings of the Board which only the non-executive members of the Board are attending. He also leads the non-executive members of the Board in all matters that require a separate discussion and decision making process. In addition, the Lead Director chairs the Compensation Committee. Based on interviews with other Board members, he prepares a review of the Chairman and CEO. 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, risk management and information on all business events of fundamental significance not included in the regular reports.

TOPICS OF THE BOARD IN 2006

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 2006 on the following topics: group business strategy, divestiture of the Textile Effects segment, mergers and acquisitions, positioning of segments and setting of their targets, investments in Asia, developments in China, introduction of the new Enterprise Resource Planning System (SAP), Code of Conduct including “zero tolerance” policy, and risk analysis. The Company’s full corporate governance report appears in the Financial Review in this Annual Report.



We clearly define the roles for members of the Board and the Executive Committee to make sure we have an optimal mix of efficiency and accountability.



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Value beyond chemistry