

To the shareholders of Ciba Specialty Chemicals Holding Inc.

## **Invitation to the Annual General Meeting on March 6, 2003 at 10.30 a.m. in the St. Jakobshalle, Basel**

(Translation: the German text is legally binding)

### **Agenda and motions**

#### **1. Approval of the Annual Report, of the Annual Financial Statements and of the Consolidated Statements for 2002; acknowledgment of the Reports of the Auditors and of the Group Auditors**

The Board of Directors proposes to approve the Annual Report, the Annual Financial Statements and the Consolidated Statements for 2002.

#### **2. Discharge of the Board of Directors and the management from liability**

The Board of Directors proposes to discharge the Board of Directors and the management from liability for their activities in the business year 2002.

#### **3. Distribution of 2002 retained earnings**

The Board of Directors proposes that the entire 2002 retained earnings of CHF 497,263,719 be carried forward.

Last year, Ciba Specialty Chemicals Holding Inc. made a total payment to its shareholders of CHF 3 per share, CHF 2 as dividend and CHF 1 in cash resulting from a share capital reduction. This year, the Board of Directors also proposes to make a total payment of CHF 3 per share, but exclusively in the form of capital reduction (as per item 4 below) which does not require the deduction of withholding taxes. Therefore, the Board of Directors recommends that the entire retained earnings be carried forward and that no dividend be paid.

#### **4. Reduction of share capital and repayment of nominal value of shares (amendment of article 4 paragraphs 1, 3, 4 and 5 of the Articles of Association)**

The Board of Directors proposes:

- to reduce the Company's ordinary share capital set forth in article 4 paragraph 1 of the Articles of Association from CHF 649,171,053 by CHF 216,390,351 to CHF 432,780,702;
- to reduce any and all share capital (if any) created until the consummation of the capital reduction under article 4 paragraphs 3, 4 or 5 of the Articles of Association by CHF 3 per each such share;
- to declare, as a result of the special audit report prepared in accordance with section 732 paragraph 2 of the Swiss Code of Obligations that the claims by the creditors are fully covered notwithstanding the above reductions of the share capital;
- to effect the reduction of the ordinary share capital set forth in article 4 paragraph 1 of the Articles of Association by a reduction of the nominal value of each of the Company's 72,130,117 registered shares from CHF 9 per share by CHF 3 per share to CHF 6 per share and the cash repayment to the shareholders of CHF 3 per share;
- to effect the reduction of any and all new share capital (if any) created until the date of the consummation of the capital reduction under article 4 paragraphs 3, 4 or 5 of the Articles of Association by a reduction of the nominal value of each such share from CHF 9 per share by CHF 3 per share to CHF 6 per share and the cash repayment to the shareholders of CHF 3 per share;
- upon consummation of the capital reduction to amend article 4 paragraphs 1, 3, 4 and 5 of the Articles of Association as per the text given on the second last page.

The above reductions of the share capital can only be effected after the publication of the notice to creditors in accordance with Article 733 of the Swiss Code of Obligations. Such notification will be published after the General Meeting in the *Swiss Commercial Gazette*. The creditors may file their claims and demand payment or security within two months after the date of the third publication. The share capital may be reduced only after the period for notification has expired and all claims filed have been satisfied or secured, and the reduction may be registered in the commercial register only if it is certified in a notarized instrument that these requirements are satisfied. Subject to the above, the payment is expected to be made on May 23, 2003 to those persons who are shareholders of the Company on the day preceding the payment date. The repayment of the nominal value to the shareholders is not subject to withholding tax and generally not subject to income taxes in Switzerland.

**5. Reduction of the share capital amount required to have an item put on the agenda**

The Board of Director proposes that the nominal share capital amount required to have an item put on the agenda be reduced from CHF 1 million to CHF 600,000 by an amendment to article 13 paragraph 1 of the Articles of Association.

According to the current Articles of Association, a shareholder may have an item put on the agenda of a shareholders' meeting if he owns shares with a nominal amount of at least CHF 1 million. Formerly, 100,000 shares each with a nominal value of CHF 10 per share were sufficient. In case the shareholders' meeting approves the motion by the Board to reduce the share capital amount as per item 4, 166,667 shares would be required to be able to have an item put on the agenda. In order to avoid this dilution effect, the above threshold amount is proposed to be proportionally reduced in accordance with good corporate governance practice in a way that again 100,000 shares suffice to have an item put on the agenda. This number of shares corresponds to a total nominal value of CHF 600,000.

The proposed wording of the amended article 13 paragraph 1 is as per the text given on the next page.

**6. Re-election of Board Members**

The Board of Directors proposes to re-elect Kurt Feller, Erwin W. Heri and Uli Sigg as members of the Board of Directors for a period of 4 years each.

**7. Re-election of the Auditors and Group Auditors**

The Board of Directors proposes to re-elect Ernst & Young AG, Zurich, as Auditors and Group Auditors for a further period of one year.

**8. Amendments to the Articles of Association required for the election of special auditors.**

The U.S. stock exchange supervisory authority, the Securities and Exchange Commission (SEC), requires in the interests of the auditor's independence that auditors of a U.S.-listed company do not perform any valuations or prepare any audit reports that may have a material effect on the financial data of that company or which are subject to the audit of the annual accounts of that company. Because Ciba Specialty Chemicals Holding Inc.'s shares have been listed on the New York Stock Exchange (in the form of ADSs) since August 2, 2000, these independence rules also apply to Ciba. The Board of Directors therefore proposes the election of special auditors, OBT AG, Zurich.

So as to make the election of special auditors possible, the Articles of Association have to be modified. The Board of Directors therefore proposes to amend the Articles of Association by an addition to article 18 letter b and by a new paragraph 2 to article 28 as per the text given on the next page.

**9. Election of special auditors**

The Board of Directors proposes to elect OBT AG, Zurich, as special auditors in accordance with article 28 paragraph 2 of the Articles of Association for a term of 3 years until the ordinary shareholders' meeting 2006.

Basel, February 7, 2003

For the Board of Directors



Dr. Armin Meyer  
Chairman of the Board

## Text of the proposed amendments to the Company's Articles of Association

(Translation: the German text is legally binding)

**(Changes are underlined)**

### **Item 4: Reduction of share capital and repayment of nominal value of shares**

The Board of Directors proposes that upon the consummation of the capital reduction article 4 paragraphs 1, 3, 4 and 5 of the Articles of Association be replaced with the following text:

#### Article 4 paragraph 1:

"The share capital of the Company is CHF 432,780,702, fully paid in and divided into 72,130,117 registered shares. Each share has a par value of CHF 6."

#### Article 4 paragraph 3:

"Until March 22, 2004 the Board of Directors is authorized to increase the share capital by the issue of a maximum of 4 million fully paid up registered shares of CHF 6 nominal value each amounting to a maximum of CHF 24 million. Staggered increases are permitted. The exercise of preferential subscription rights acquired by contract as well as the purchase of newly issued registered shares are subject to the transfer restrictions according to article 5 of the Articles of Association. The issue price, the date of the entitlement to the dividend and the details of a contribution in kind, if applicable, will be determined by the Board of Directors.

The new shares will be placed with the existing shareholders. The placement can be made through one or more banks, which underwrite the new shares. Furthermore, the Board of Directors is authorized to exclude the preferential subscription rights of the shareholders and to allot them to third parties in case the new shares are used for a take-over of a business, parts of a business or participations or for the financing of such a transaction. Shares for which subscription rights have been allotted but which were not exercised may be used by the Board of Directors in the interest of the Company."

#### Article 4 paragraph 4:

"The share capital will be increased by the issue of a maximum of 4 million fully paid up registered shares of CHF 6 nominal value each amounting to a maximum of CHF 24 million through the exercise of option rights or conversion rights which the Company or one of its subsidiaries may grant on a stand-alone basis or in connection with bond issues or other debt financing. The preferential subscription rights of the shareholders are excluded. The acquisition of registered shares through the exercise of option or convertible rights as well as the transfer of the registered shares are subject to the transfer restrictions according to article 5 of the Articles of Association.

The placement of the option or convertible rights may be made through one or more banks, which underwrite the issue. The Board of Directors is authorized to exclude the advance subscription rights of the shareholders in case the option or convertible rights are used in connection with a take-over of a business, parts of a business or participations or in connection with the financing of such a transaction. In this case the structure, the term, the amount of the bond issue or other debt financing, if any, as well as the conditions of the option or convertible rights are to be determined by the Board of Directors in accordance with the mar-

ket conditions prevailing at the time of the issue of the rights. Option or convertible rights shall be exercisable for a maximum period of 10 years."

#### Article 4 paragraph 5:

"The share capital will be increased by the issue of a maximum of 2 million fully paid up registered shares of CHF 6 nominal value each amounting to a maximum of CHF 12 million through the exercise of option or convertible rights which have been allotted to employees of the Company or its subsidiaries. The preferential subscription rights of the shareholders are excluded. The acquisition of registered shares through the exercise of option or convertible rights as well as the transfer of the registered shares are subject to the transfer restrictions according to article 5 of the Articles of Association.

The placement of the option or convertible rights can be made through the Company or one of its subsidiaries or through one or more banks which underwrite the issue. The advance subscription rights of the shareholders are excluded. The conditions of the option or convertible rights are to be determined by the Board of Directors in accordance with the market conditions prevailing at the time of the issue, however, for employees a discount of a maximum of 20% on the market rate may be provided for."

### **Item 5: Reduction of share capital amount to have an item put on the agenda**

#### Article 13 paragraph 1:

"One or more shareholders whose combined shareholdings represent an aggregate nominal value of at least CHF 600,000 may demand that an item be included in the agenda of a General Meeting. Such a demand must be made in writing at the latest sixty days before the meeting and shall specify the items and the proposals of such shareholder."

### **Item 8: Amendments to Articles of Association required for the election of special auditors**

#### Article 18 letter b:

"b) to elect the members of the Board of Directors, the auditors, the group auditors and the special auditors which prepare the special audit reports required in connection with capital increases (Articles 652f, 653f and 653i of the Swiss Code of Obligations);"

#### Article 28 paragraph 2:

"The General Meeting of Shareholders may elect special auditors which prepare the special audit reports required in connection with capital increases (Articles 652f, 653f and 653i of the Swiss Code of Obligations) for a maximum term of office of three years."

# Organizational Matters

## Annual Report and Financial Statements

The Annual Report and the Financial Statements, including the Auditors' Report for 2002, are available for inspection at the Company's Headquarters (Secretary to the Board of Directors, Klybeckstrasse 141, CH-4057 Basel) from February 4, 2003. A shareholder may also require that these documents be sent to him.

All these reports are accessible on the Company's Internet website [www.cibasc.com](http://www.cibasc.com) and can be downloaded in pdf format.

Printed copies will be available to all shareholders attending the Annual General Meeting.

## Admission Cards

- Admission Cards and Voting Material will be sent on application only from February 27, 2003

After returning the enclosed order form to the Company, the registered shareholders will receive the admission card and the voting material which will be issued according to the registration in the share register as of February 21, 2003. An early return of the order form (if possible before February 20, 2003) will ease the preparatory work for the General Meeting.

- Sale of Shares

In the case of a sale of shares mentioned on the admission card, the shareholder is no longer entitled to vote for these shares. The admission card and the voting material will have to be adjusted before the beginning of the General Meeting. Please contact the office of the share register at the General Meeting ("GV Büro").

## Proxies

According to the Articles of Association of the Company, a shareholder can give proxy for the General Meeting to his legal representative, to any other shareholder who is entitled to vote, to the Company itself (Ciba Specialty Chemicals Holding Inc.), to the independent proxy (Mr. Fred M. Wagner, Attorney-at-law, Steinenvorstadt 51, 4051 Basel), or to a depositary.

To this end, the proxy form (order form or reverse of the admission card) has to be used. Without any specific instructions to the contrary, the voting rights will be exercised in accordance with the proposals of the Board of Directors.

## Depositaries

The banks and the professional asset managers are asked to communicate to the Company the number and type of shares they represent as early as possible, at the latest on the day preceding the General Meeting at the share register (telephone +41 61 636 2850).

## Early Departure from the General Meeting

To allow the correct counting of the number of shares and persons present, any shareholders leaving before the end of the meeting are requested to show their unused voting materials at the exit.

## Transportation

We kindly ask the shareholders to use public transportation. On the day of the General Meeting, shareholders may use the whole network of the Basler Verkehrsbetriebe (BVB) and of the Baselland Transport (BLT) for free. The transportation leaflet which will accompany the admission card is valid as a ticket and has to be shown upon request.

Car parking is available in the St. Jakob parking garage free of charge.