

Ciba Specialty Chemicals Holding Inc.



To the shareholders of the Ciba Specialty Chemicals Holding Inc.

Invitation to the Annual General Meeting

February 26, 2004, at 10.30 a.m. in the St. Jakobshalle, Basel

Agenda

1. Approval of the Annual Report, of the Annual Financial Statements and of the Consolidated Statements for 2003; acknowledgment of the Reports of the Auditors and of the independent Group Auditors
2. Distribution of 2003 retained earnings
3. Discharge of the Board of Directors and the management from liability
4. Cancellation of shares as a consequence of the share buyback program over the second trading line
5. Reduction of share capital and repayment of nominal value of shares
6. Reduction of the share capital amount required to have an item put on the agenda
7. Re-creation of an authorized capital of CHF 12 million and cancellation of the existing authorized capital of CHF 24 million
8. Re-election of Board Members
9. Re-election of Auditors and Group Auditors

After the Annual General Meeting a buffet lunch will be served in the St. Jakobshalle.

Agenda, motions and explanations

(Translation: the German text is legally binding)

1. Approval of the Annual Report, of the Annual Financial Statements and of the Consolidated Statements for 2003; acknowledgment of the Reports of the Auditors and of the independent Group Auditors

Motion

The Board of Directors proposes to approve the Annual Report, the Annual Financial Statements and the Consolidated Statements for 2003.

2. Distribution of 2003 retained earnings

Motion

The Board of Directors proposes that the entire 2003 retained earnings of CHF 635,492,732 be carried forward.

Explanations

The Board of Directors proposes to make a total payment to each shareholder of CHF 3 per share, but in the form of capital reduction as per item 5 below. For this reason, the Board of Directors recommends that the entire retained earnings be carried forward and that no dividends be paid.

3. Discharge of the Board of Directors and the management from liability

Motion

The Board of Directors proposes to discharge the Board of Directors and the management from liability for their activities in 2003.

4. Cancellation of shares as a consequence of the share buyback program over the second trading line (amendment of article 4 paragraph 1 of the Articles of Association)

Motions

The Board of Directors proposes:

- (A) that a total of 1,303,500 shares repurchased under the share buyback program approved by the Board of Directors be cancelled and the share capital of the Company be reduced accordingly from CHF 432,780,702 by CHF 7,821,000 to CHF 424,959,702;
- (B) to declare, as a result of the special audit report prepared in accordance with article 732 paragraph 2 of the Swiss Code of Obligations that the claims of the creditors are fully covered notwithstanding the above reduction of the share capital;
- (C) upon consummation of the capital reduction to amend article 4 paragraph 1 of the Articles of Association as follows (*changes underlined*):

Article 4 paragraph 1

"The share capital of the Company is CHF 424,959,702, fully paid in and divided into 70,826,617 registered shares. Each share has a par value of CHF 6."

Explanations

On August 27, 2003, Ciba set up a second trading line on virt-x for the repurchase of a maximum of 10% of its shares. As at December 31, 2003, Ciba acquired a total of 1,303,500 own shares over this second trading line at an average purchase price of (rounded) CHF 90.05 and an aggregate amount of CHF 117,379,727. The Board of Directors proposes that these repurchased shares be cancelled and that the share capital be reduced accordingly.

Ernst & Young as Statutory Auditors have confirmed in a special audit report to the Annual General Meeting that as at December 31, 2003, the claims of creditors were fully covered even after the reduction in capital as a consequence of this agenda item as well as the reduction of the nominal value proposed in item 5 and that the Company has adequate liquidity to make the respective repayments.

The above cancellation of shares and the resulting reduction of the share capital (together with the reduction of the nominal value of the shares as per item 5 below) may only be consummated after the publication of the notice to creditors in accordance with article 733 of the Swiss Code of Obligations. Such notice will be published after the General Meeting in the Swiss Commercial Gazette. Creditors may file their claims and demand payment or security within two months after the date of the third publication. The share capital may only be reduced after the two-month period has expired and all claims filed have been satisfied or secured, and the reduction may only be registered in the commercial register if it is certified in a notarized instrument that all the above requirements have been complied with.

5. 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)

Motions

The Board of Directors proposes:

- (A) to reduce the Company's ordinary share capital from CHF 424,959,702 by CHF 212,479,851 to CHF 212,479,851;
- (B) 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;
- (C) to declare, as a result of the special audit report prepared in accordance with article 732 paragraph 2 of the Swiss Code of Obligations, that the claims of the creditors are fully covered notwithstanding the above reduction of the share capital;
- (D) 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 70,826,617 registered shares from CHF 6 per share by CHF 3 per share to CHF 3 per share and the cash repayment to the shareholders of CHF 3 per share;
- (E) 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 6 by CHF 3 to CHF 3 per share and the cash repayment to the shareholders of CHF 3 per share;
- (F) upon consummation of the capital reduction to amend article 4 paragraphs 1, 3, 4 and 5 of the Articles of Association as follows (*changes underlined*):

Article 4 paragraph 1

"The share capital of the Company is CHF 212,479,851, fully paid in and divided into 70,826,617 registered shares. Each share has a par value of CHF 3."

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 3 nominal value each amounting to a maximum of CHF 12 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 second subparagraph remains unchanged)

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 3 nominal value each amounting to a maximum of CHF 12 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 second subparagraph remains unchanged)

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 3 nominal value each amounting to a maximum of CHF 6 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 second subparagraph remains unchanged)

Explanations

The procedures to reduce the share capital through a payment to shareholders are the same as those required in connection with the share cancellation as per item 4 above. There will be a single special audit report and a single creditor's notice procedure. However, so as to avoid a payment by the Company to itself as a result of the reduction of the nominal value of the shares, the cancellation of the shares will occur immediately before the capital reduction under this item.

Subject to the above, the payment is expected to be made on May 14, 2004, to those shareholders who are shareholders of the Company one day prior to the payment. The repayment of nominal value to the shareholders is not subject to withholding tax and for individuals generally not subject to income taxes in Switzerland. Trading in the new shares with a par value of CHF 3 is expected to also commence on May 14, 2004.

6. Reduction of the share capital amount required to have an item put on the agenda (amendment of article 13 paragraph 1 of the Articles of Association)

Motion

The Board of Directors proposes that the nominal share capital amount required to have an item put on the agenda be reduced from CHF 600,000 to CHF 300,000 by an amendment of article 13 paragraph 1 of the Articles of Association as follows (*changes underlined*):

"One or more shareholders whose combined shareholdings represent an aggregate nominal value of at least CHF 300,000 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."

Explanations

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 600,000. This corresponds to 100,000 shares with a nominal value of CHF 6 each. In case the shareholders' meeting approves the motion by the Board to reduce the share capital amount as per item 5, 200,000 shares would be required to be able to have an item put on the agenda. So as to even out this dilutive effect, the above threshold amount is proposed to be linearly reduced in a way that again 100,000 shares suffice to have an item put on the agenda. This number of shares would result in a total nominal value of CHF 300,000.

7. Re-creation of an authorized capital of CHF 12 million and cancellation of the existing authorized capital of CHF 24 million (amendment of article 4 paragraph 3 of the Articles of Association)

Motion

The Board of Directors proposes the re-creation of an authorized capital of CHF 12 million and the cancellation of the existing authorized capital of CHF 24 million by an amendment of article 4 paragraph 3 of the Articles of Association as follows (*changes underlined*):

“Until February 26, 2006, 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 3 nominal value each amounting to a maximum of 12 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 second subparagraph remains unchanged)

Explanations

In accordance with article 651 paragraph 1 of the Swiss Code of Obligations, the authorization given to the Board of Directors at the 2002 Annual General Meeting to increase the Company's share capital is valid for a period of two years and will expire on March 22, 2004. The Company would like to retain the financial flexibility for another two years and therefore proposes to re-create the authorized capital. So as to avoid to have two authorizations in parallel, the Board proposes to cancel the authorization granted in 2002. The difference between the current authorization of CHF 24 million to be cancelled and the proposed authorized capital of CHF 12 million results from the reduction of the nominal value of the shares as per agenda item 5. The number of shares (4 million) remains the same.

8. Re-election of Board Members

Motions

The Board of Directors proposes to re-elect

(A) Ms. Gertrud Höhler and

(B) Mr. Armin Meyer

as members of the Board of Directors for a period of four years each.

Explanations

The terms of office of Ms. Gertrud Höhler and Mr. Armin Meyer will expire at the Annual General Meeting 2004. Both Ms. Höhler and Mr. Meyer are prepared to stand for re-election. Ms. Höhler has been a Member of the Board since 1997. She serves as a member of the Company's Nomination Committee. Mr. Meyer has been a Member of the Board since 1997. He became Chairman of the Board of Ciba Specialty Chemicals in autumn 2000. Starting January 1, 2001, he also was appointed Chief Executive Officer. More detailed CVs are available at the Company's Internet site www.cibasc.com/gv2004.

9. Re-election of Auditors and Group Auditors

Motion

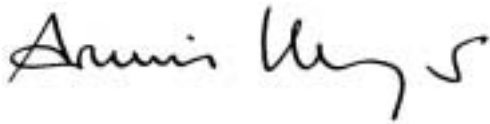
The Board of Directors proposes to re-elect Ernst & Young AG, Zurich, as Auditors and Group Auditors for a further period of one year.

Explanations

Upon a proposal made by the Company's Audit Committee to the full Board of Directors, Ernst & Young are proposed for re-election. Additional information, including such with regard to the fees the Company paid for services obtained from Ernst & Young, can be found in the Company's section about Corporate Governance in its Annual Report (www.cibasc.com/gv2004) and in Form 20-F (www.cibasc.com/gv2004), Item 6.

Basel, February 3, 2004

For the Board of Directors

A handwritten signature in black ink, appearing to read "Armin Meyer". The signature is written in a cursive style with a large, sweeping flourish at the end.

Dr. Armin Meyer
Chairman of the Board

Organizational Remarks

Agenda Items

In its report for the third quarter of 2003, the Company announced that the deadline for agenda items and motions to be submitted by shareholders would be December 29, 2003. As at that date, Ciba Specialty Chemicals did not receive any agenda items nor any motions.

Available Documents

The Business Report (Annual Financial Statements and Consolidated Statements), the Auditors' Report for 2003 and the Special Auditors' Report are available for inspection at the Company's Headquarters (Secretary to the Board of Directors, Klybeckstrasse 141, CH-4057 Basel) from February 3, 2004. A shareholder may also require that these documents be sent to him.

In addition, these documents may be downloaded from www.cibasc.com/gv2004 in PDF format, while printed copies of these Reports will also be available at the Annual General Meeting.

Admission Cards

- Admission cards and voting material will be sent on application only after February 19, 2004.

After returning the enclosed application 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 13, 2004. An early return (if possible before February 11, 2004) 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 updated 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 may give proxy for the Annual General Meeting to

- his legal representative
- another shareholder who is entitled to vote
- the Company (Ciba Specialty Chemicals Holding Inc.)
- a depositary
- the independent proxy (Mr. Fred M. Wagner, Attorney, Steinenvorstadt 51, 4051 Basel)

Please make use of the proxy form (application form or reverse of the admission card).

Without instructions to the contrary, the voting rights will be exercised in accordance with the proposals of the Board of Directors.

Depositaries

Banks and professional asset managers are requested to indicate 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 28 50).

Buffet Lunch

After the General Meeting shareholders are invited to a buffet lunch to be served in the St. Jakobshalle.

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 invite shareholders to use public transportation. On the day of the Annual 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.