

Ciba Specialty Chemicals Holding Inc.



To the shareholders of Ciba Specialty Chemicals Holding Inc.

# Invitation to the Annual General Meeting

March 3, 2005, 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 2004; acknowledgment of the Reports of the Auditors and of the independent Group Auditors
2. Allocation of profit
3. Discharge of the Board of Directors and the management from liability
4. Cancellation of shares as a consequence of the share buyback 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-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 2004; 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 2004.

## 2. Allocation of profit

### Motion

The Board of Directors proposes to pay a dividend of CHF 1.00 gross (CHF 0.65 net) per share and to carry forward the remaining amount of CHF 589,994,062.

### Explanations

*The Board of Directors proposes a payout to the shareholders of CHF 3 per share, CHF 1 per share in the form of a dividend and CHF 2 per share in the form of a payment from a capital reduction as per item 5.*

*As the retained earnings amount to CHF 635,492,732 and the profit for 2004 to CHF 20,641,675, a total amount of CHF 656,134,407 would be available for a payout. Of this amount, the Board of Directors proposes to pay CHF 66,140,345 as dividends (66,140,345 shares times CHF 1) while carrying forward the balance amount of CHF 589,994,062.*

*If approved by the shareholders, the dividend will be paid on March 8, 2005, whereas the payment stemming from the capital reduction is expected to be made on May 18, 2005.*

## 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 2004.

## 4. Cancellation of shares as a consequence of the shares bought back over the second trading line since January 1, 2004 (amendment of article 4 paragraph 1 of the Articles of Association)

### Motions

The Board of Directors proposes:

- (A) that a total of 1,762,000 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 212,479,851 by CHF 5,286,000 to CHF 207,193,851;
- (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*):

*"The share capital of the Company is CHF 207,193,851, fully paid in and divided into 69,064,617 registered shares. Each share has a par value of CHF 3."*

### 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. On February 26, 2004, the Annual General Meeting approved the cancellation of 1,303,500 shares that had been acquired over this second trading line until year-end 2003. The repurchase program limited to a year ended on August 26, 2004. From January 1, 2004 until the termination of the program, the Company repurchased another 1,762,000 shares. The Board of Directors proposes that these shares be cancelled and that the share capital be reduced accordingly.

As statutory auditors, Ernst & Young have confirmed in a special audit report to the Annual General Meeting that as at December 31, 2004, 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 once 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 207,193,851 by CHF 138,129,234 to CHF 69,064,617 by a reduction of the nominal value of each of the Company's registered shares from CHF 3 by CHF 2 to CHF 1 per share and to repay to the shareholders CHF 2 per share;
- (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 from CHF 3 by CHF 2 to CHF 1 per each such share and to repay to the shareholders CHF 2 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) 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 69,064,617, fully paid in and divided into 69,064,617 registered shares. Each share has a par value of CHF 1."

#### Article 4 paragraph 3

"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 1 nominal value each amounting to a maximum of CHF 4 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 1 nominal value each amounting to a maximum of CHF 4 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 1 nominal value each amounting to a maximum of CHF 2 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. For both procedures, there will be only one special audit report and only one creditor's notice procedure.*

*Subject to the above, the payment is expected to be made on May 18, 2005 to those persons 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 1 is expected to also commence on May 18, 2005.*

## **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 Director proposes that the nominal share capital amount required to have an item put on the agenda be reduced from CHF 300,000 to CHF 100,000 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 100,000 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**

*If the General Meeting approves the motion by the Board of Directors as per item 5 to reduce the nominal value of each share from CHF 3 to CHF 1, the capital required to have an item put on the agenda should in accordance with good corporate governance practice be reduced accordingly from CHF 300,000 to CHF 100,000.*

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

### Motion

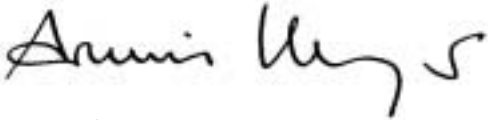
The Board of Directors proposes to re-elect Ernst & Young AG, Zurich, as Auditors and Group Auditors for a further period of one year.

### 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/agm](http://www.cibasc.com/agm)) and in Form 20-F ([www.cibasc.com/agm](http://www.cibasc.com/agm)) in Item 6.*

Basel, February 3, 2005

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

As at January 3, 2005, Ciba Specialty Chemicals has not received any agenda items or any motions.

## Available Documents

The Annual Report, including the Auditors' Report for 2004, 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 1, 2005. A shareholder may also require that these documents be sent to him.

In addition, these documents can be downloaded from [www.cibasc.com/agm](http://www.cibasc.com/agm), while printed copies of the Company's Reports will also be available at the Annual General Meeting.

## Admission Cards

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 18, 2005. An early return (if possible before February 17, 2005) 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 corrected before the beginning of the General Meeting. Please contact the office of the share register at the General Meeting.

## 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.)
- the independent proxy (Mr. Fred M. Wagner, Attorney, Steinenvorstadt 51, 4051 Basel)
- a depositary

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 by the Board of Directors.

## Depositaries

Banks and professional asset managers are requested to indicate to the Share Register (fax +41 61 636 5243/ telephone +41 61 636 2850) the number of shares they represent as early as possible, at the latest on the day preceding the General Meeting.

## 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

The ticket sent together with the admission card entitles shareholders to a free ride within the network of Basler Verkehrsbetriebe (BVB) and Baselland Transport (BLT) to and from St. Jakobshalle and has to be shown upon request. Car parking is available in the St. Jakob parking garage free of charge.

