

Report of the statutory auditors

in accordance with Article 732 of the Swiss Code of
Obligations regarding share capital reduction of

Ciba Specialty Chemicals Holding Inc., Basel

To the General Meeting of the Shareholders of
Ciba Specialty Chemicals Holding Inc., Basel

Zurich, February 18, 2004

Report of the Statutory Auditors in accordance with Article 732 of the Swiss Code of Obligations regarding share capital reduction

The Board of Directors of Ciba Specialty Chemicals Holding Inc. engaged us to prepare the auditors' report for the intended reduction of the share capital.

The balance sheet as of December 31, 2003, as well as the proposal to reduce the Company's capital are the responsibility of the Board of Directors. Our responsibility is to express an opinion as to whether the claims of creditors against the Company are fully covered after the capital reduction based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

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|--|-----|--------------------|
| In this case the Board of Directors proposes to reduce the Company's common stock from the previous | CHF | 432,780,702 |
| divided in 72,130,117 registered shares at a par value of CHF 6 per share, by cancellation of 1,303,500 registered shares at a par value of CHF 6 per share or total | CHF | 7,821,000 |
| to | CHF | <u>424,959,702</u> |
| Further the Board of Directors proposes to reduce the Company's common stock from the previous | CHF | 424,959,702 |
| divided in 70,826,617 registered shares at a par value of CHF 6 per share by repayment of CHF 3 per share or total | CHF | 212,479,851 |
| to | CHF | <u>212,479,851</u> |

After the capital reduction the common stock will be comprised of 70,826,617 registered shares at a par value of CHF 3 per share.

The capital repayment will be made in cash.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the claims of creditors against the Company are still covered after consummation

of the capital reduction. We have performed the appropriate procedures in this connection. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the claims of creditors against the Company are still fully covered after consummation of the capital reduction.

Ernst & Young Ltd



Eric Ohlund
Certified Public Accountant
(in charge of the audit)



Patrick Fawer
Swiss Certified Accountant

Enclosure:

- Balance sheet as of December 31, 2003, before and after capital reduction.

