

The Depository Trust Company

IMPORTANT

B#: 3160
DATE: March 14, 2002
TO: All participants
CATEGORY: Dividends
FROM: Lucy DiPaolo, Supervisor, Dividend Department
ATTENTION: Operations, Reorg & Dividend Managers, Partners & Cashiers
SUBJECT: TaxRelief - Country: Switzerland
Ciba Specialty CUSIP: 17162W206
Record Date: 03/18/2002 Payable Date: 04/29/2002
EDS Cut-Off Date: 03/21/2002

*****WARNING TIME CRITICAL*****

DTC has been notified by Citibank N.A., the depository bank for the above issue, that Ciba Specialty has declared a cash dividend. This cash dividend is subject to Swiss withholding tax of **15%** (favorable) for qualified U.S. individuals, **15%** (favorable) for qualified U.S. Corporations, **15%** (favorable) for qualified RICS, **15%** (favorable) for qualified U.S. other entities, and **0%** (tax exempt) for qualified U.S. pensions. All others and unqualified RICS are subject to Swiss withholding tax of **35%** (unfavorable).

The Elective Dividend System, PTS Function EDS, has been revised from last year to include beneficial owner information for the favorable and unfavorable rate. EDS will require participants to provide a breakdown of the **15%** (favorable) for qualified U.S. individuals, qualified U.S. Corporations, for qualified RICS, and for qualified U.S. other entities. EDS will require participants to provide a breakdown for unfavorable holders and unqualified RICS subject to Swiss withholding tax of **35%** (unfavorable). Upon completing the first screen in EDS, participants will be prompted to provide the breakdown for shares elected at the 15% and the 35% rates. **Participants will not be able to proceed through the EDS election process until the breakdown of the beneficial owner information is provided.**

Note: THE DEADLINE FOR CERTIFYING OVER EDS IS MARCH 21, 2002.

-Over-

B#

3160

(To receive a favorable rate on EDS, the beneficial owner must be a U.S. resident. Non-U.S. residents must elect at the unfavorable 65% rate)

***QUALIFICATIONS - BENEFICIAL OWNERS MUST MEET THE FOLLOWING CRITERIA:**

The Beneficial Owner of the shares to be paid at the favorable rate:

Should not be engaged in a trade or business in Switzerland through a permanent establishment situated in Switzerland.

Option 1: FAVORABLE U.S. INDIVIDUAL (85% RATE) :

Is a resident of the United States and is not a resident of Switzerland (or, if a resident of Switzerland, has its habitual abode in the United States) **Note: U.S. citizens or “green card” holders are only considered as resident in the United States, if they have a substantial presence, permanent home or habitual abode in the United States.**

Option 2: FAVORABLE U.S. CORPORATION (85% RATE):

Is a corporation (other than a RIC or an S-Corporation) created or organized under the laws of the United States or a state or territory thereof. To be considered eligible, the corporation must qualify under at least one of several “tests”. Among these tests are:

- a) **activity test:** the corporation must conduct an active trade or business in the United States.
- b) **predominant interest test:** more than 50% of the owners of the company must be United States residents.
- c) **stock exchange test:** the corporation or the ultimate beneficial owner of a predominant interest in the corporation is primarily and regularly traded on a recognized stock exchange.

There are some more tests, which may apply, but most corporations fall under one of the above-mentioned tests.

Option 3: FAVORABLE OTHER ENTITY (85% RATE):

Is another entity such as an S-Corporation, partnership, estate or trust, created or organized under the laws of the United States or a state or territory thereof. Note: These entities are only eligible to the extent that the dividend income is subject to tax, either in the hands of the entities or in the hands of their partners or beneficiaries that are U.S. residents. Therefore, these entities are only entitled to receive the favorable tax treatment on the percentage of shares which are owned by U.S. residents..

Option 4: FAVORABLE PENSION PLAN (100% RATE):

Is a pension plan exempt in the United States and more than fifty percent (50%) of the beneficial owners of the pension plan must be residents of the United States. Types of eligible pension plans must be exempt and covered by section 401(a) and 501(a) of the United States Internal Revenue Code. Generally this would cover company sponsored pension plans, 401(k) plans, as well as profit sharing plans. Note: Individual Retirement Accounts (IRAs) and Simplified employee pension plans (SEPs) do not fall under section

401(a) and 501 (a). They do therefore not qualify for a 100% rate. However they may get a 85% rate and should be included in option FAVORABLE OTHER ENTITY (see 3).

Option 5: UNFAVORABLE (65% RATE):

This category consists of the following items:

- Beneficiaries for which no election has been done within the time frame.
- Non-U.S. persons as well as U.S. citizens or “green card” holders without substantial presence, permanent home or habitual abode in the United States.
- Corporations not qualifying under a test.
- The portion of shares of an S-Corporation, partnership, estate or trust held by non-U.S. residents (including U.S. citizens or “green card” holders without substantial presence, permanent home or habitual abode in the United States).

If you are not able to certify your shares as eligible based on the eligibility requirements outlined in this Important Notice for Options 1,2,3,4,6, or 7 then you must choose this category.

Option 6: RIC – FAVORABLE (85% RATE):

A Regulated Investment Company is considered **favorable** when it is created or organized under the laws of the United States or a state or territory thereof and **more than ninety-five percent (95%)** of the beneficial owners of the RIC are residents of the U.S.. RICs which meet this requirement will receive favorable tax treatment on one hundred percent (100%) of their record date position. **Note: RICs which are made up of ninety-five percent (95%), or less, of United States resident, are only entitled to receive the favorable tax treatment on the percentage of shares which are owned by U. S. residents. The percentage of non-U.S. residents must be included in RIC – UNFAVORABLE (See 7)**

Option 7: RIC - UNFAVORABLE (65% RATE):

A Regulated Investment Company is considered **unfavorable** when it is created or organized under the laws of the United States or a state or territory thereof but ninety-five percent (95%), or less, of it’s beneficial owners are United States Residents. For the percentage of the beneficial owners which are not United States Residents, the RIC is not entitled to favorable tax treatment and should receive the dividend less the 35% withholding tax.

ADR Holders who need to revise their declarations will be responsible for claiming or refunding any withholding tax through Citibank ADR to the Swiss Tax Authorities; Participants will also be liable for any foreign exchange fluctuations impacting the amount of their refund or claim with the Swiss Tax Authorities.

Claims to refund of Swiss anticipatory tax on dividends out of an ADR program may only be filed by the depositary bank. Participants of the DTC EDS process are not allowed to claim any refund directly with the Swiss Federal Tax Administration.

Exemption: Non-US beneficial owners may claim a refund individually based on the respective treaty between Switzerland and their State of residency. However, foreign participants are not allowed to claim a refund in the name and for account of the beneficial owners. For tax forms and/or treaty rates contact Citibank ADR, 90 Broad Street, New York, NY 10004, Attn: Brett Lewis.

B#

3160

For DTC participants who filed incorrectly via the DTC EDS process and wish to amend their filing, please call Citibank ADR, 800-628-4646. Late filings are subject to a minimum service charge of \$25.00 withheld by the ADR Depository. A schedule of the applicable service charge is available upon request.

ALL ELECTIONS MADE THROUGH EDS ARE SUBJECT TO AUDIT BY THE SWISS TAX ADMINISTRATION. INCORRECT ELECTIONS COULD RESULT IN FINES, PENALTIES, AND A SUSPENSION OF EDS ELIGIBILITY.

Eligibility rules and all other legal conditions with respect to the use of EDS are contained in DTC's **TAXINFO** (TAXI) function over the Participant Terminal System (PTS).

Participants who fail to meet the EDS deadline or have other beneficial holders that are not eligible for the EDS process for whom they wish to file a reclaim may also use DTC's **TaxReclaimsm** form preparation service, available by using the Tax Reclaim System (TAXR) function over PTS. **TaxReclaimsm** is DTC's proprietary withholding tax form preparation service that calculates reclaim entitlements and prepares the standard tax reclamation form for filing with the foreign taxing authorities or other designated agent. To enroll in **TaxReclaimsm**, please contact your Relationship Manager.

Tax technical questions regarding this Important Notice may be directed to Mr. Brett Lewis of Citibank ADR, 800-628-4646.

Operational questions regarding this Important Notice may be directed to Mr. Frederick Ceraso of DTC's Dividend International Services Department, or myself at (212) 855-4784/4531 respectively.