

Offer Prospectus dated October 1, 2008



## Public Tender Offer

by

### **BASF Handels- und Exportgesellschaft mbH**

for all publicly held registered shares with a nominal value of CHF 1 each of

### **Ciba Holding AG, Basel**

**Offer Price:** CHF 50 net per registered share (*Namenaktie*) (the «**Offer Price**») of Ciba Holding AG («**Ciba**») with a nominal value of CHF 1 each (the «**Ciba-Share**»), less the gross amount of any dilution effects becoming effective prior to the settlement of the public tender offer, including any dividend payments, repayments of capital, capital increases at an issue price below the offer price, issuance of options or conversion rights or similar transactions. The Offer Price will not be adjusted for any dilution effects resulting from the transfer of up to 261,599 own Ciba-Shares to Ciba employees under the current Ciba employee participation plans.

**Offer Period:** From **October 1 to October 28, 2008**, 4:00 p.m. Central European Time (CET) (subject to extension).

Financial Advisor



Offer Manager



Private Banking  
Investment Banking  
Asset Management

Leistung schafft Vertrauen

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Ciba Holding AG Registered Shares:

Swiss Security Number: 581972

ISIN CH0005819724

Ticker: CIBN

Ciba Holding AG Registered Shares Tendered for Acceptance (Second Line)

Swiss Security Number: 4604230

ISIN CH0046042302

Ticker: CIBNE

## Offer Restrictions

### General

The public tender offer (*Öffentliches Kaufangebot*) described in this Offer Prospectus (the «**Tender Offer**» or «**Offer**») is not being made directly or indirectly in any country or jurisdiction in which such offer would be considered unlawful or in which it would otherwise violate any applicable law or regulation, or which would require BASF Handels- und Exportgesellschaft mbH, Ludwigshafen am Rhein, Germany («**BASF**»), to amend the terms or conditions of the Tender Offer in any way, or which would require to make any additional filing with or take any additional action with regard to any governmental, regulatory or legal authority. BASF does not intend to extend the Tender Offer to any such country or jurisdiction. Documents relating to the Tender Offer may not be distributed in such countries or jurisdictions or sent into such countries or jurisdictions and may not be used for purposes of soliciting the purchase of any securities of Ciba by any person or entity in such countries or jurisdictions.

### Notice to U.S. Holders

The Tender Offer described in this Offer Prospectus is being made for the securities of Ciba, a Swiss company, and is subject to Swiss disclosure requirements, which are different from those of the United States. U.S. holders of shares of Ciba are encouraged to consult with their own Swiss advisors in connection with the Tender Offer.

The receipt of cash pursuant to the Tender Offer by a U.S. holder of shares of Ciba may be a taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local, as well as foreign and other tax laws. Each shareholder of Ciba is urged to consult his independent professional adviser immediately regarding the tax consequences of acceptance of the Tender Offer.

It may be difficult for U.S. holders to enforce their rights and any claim arising out of U.S. federal securities laws, since BASF and Ciba are each located in a non-U.S. jurisdiction, and some or all of their officers and directors may be residents of a non-U.S. jurisdiction. U.S. holders may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

BASF and any of its affiliates and any advisor, broker or financial institution acting as an agent or for the account or benefit of BASF may, subject to applicable Swiss and U.S. securities laws, rules and regulations and pursuant to exemptive relief granted by the U.S. Securities and Exchange Commission from Rule 14e-5 under the Securities Exchange Act of 1934, as amended (the «**Exchange Act**») make certain purchases of, or arrangements to purchase, shares of Ciba from shareholders of Ciba who are willing to sell their shares of Ciba outside the Tender Offer from time to time, including purchases in the open market at prevailing prices or in private transactions at negotiated prices. BASF will disclose promptly any information regarding such purchases of shares of Ciba in Switzerland and the United States through the electronic media, if and to the extent required under applicable laws, rules and regulations in Switzerland.

### American Depositary Receipts

The Tender Offer described in this Offer Prospectus is not being made for Ciba American Depositary Receipts («**Ciba ADRs**»). However, the Tender Offer is being made for the Ciba-Shares underlying the Ciba ADRs. BASF is putting into place procedures for holders of Ciba ADRs to direct the custodian of the Ciba ADR program to tender on their behalf the Ciba-Shares represented by their Ciba ADRs to BASF for acceptance. Payment of the Offer Price pursuant to such procedures shall be made upon compliance with the terms of the deposit agreement relating to the Ciba ADR program, including conversion into US dollars, less the fees of Citibank, N.A., the Depositary Bank responsible for the Ciba ADR program (the «**U.S. Depositary**»), and any fees and expenses in connection with currency conversions and applicable taxes. More information about the acceptance procedures for Ciba ADR holders will be available at [www.basf-info.com](http://www.basf-info.com). Holders of Ciba ADRs using this procedure will not need to have an account in Switzerland into which the Ciba-Shares can be delivered.

Holders of Ciba ADRs may also present their Ciba ADRs to the U.S. Depositary, for cancellation and (upon compliance with the terms of the deposit agreement relating to the Ciba ADR program, including payment of the U.S. Depositary's fees and any applicable transfer fees, taxes and governmental charges) delivery of Ciba-Shares to them, in order to become shareholders of Ciba. The Tender Offer may then be accepted in accordance with this Offer Prospectus for the

Ciba-Shares delivered to holders of Ciba ADRs upon such cancellation. Holders of Ciba ADRs should be aware, however, that in order to tender in this manner, they will need to have an account in Switzerland into which the Ciba-Shares can be delivered.

Holders of Ciba ADRs should also be aware that there will not be a separate offer for Ciba ADRs in ADR form, and such holders will need to follow one of the procedures described above to participate in the Tender Offer.

## **A. Initial Position; Background and Purpose of Offer**

BASF is a wholly-owned direct subsidiary of BASF SE and organized in the legal form of a company with limited liability (*Gesellschaft mit beschränkter Haftung*) governed by German law with its corporate seat in Ludwigshafen am Rhein, Germany. BASF SE is one of the largest companies in the chemical industry with worldwide consolidated annual sales (business year 2007) of approximately EUR 58 billion (approximately CHF 92 billion). The portfolio of BASF SE ranges from oil and gas to chemicals, plastics and performance products, agricultural products and fine chemicals. BASF SE has more than 95,000 employees worldwide. BASF SE is listed in Frankfurt (BAS), London (BFA) and Zurich (AN). The shares of BASF SE have a free-float of 100%. Ciba is a company operating in the field of speciality chemicals with consolidated annual sales (business year 2007) of approximately CHF 6.5 billion (approximately EUR 4 billion) and has approximately 13,000 employees worldwide. The business of Ciba is divided into the segments plastic additives, coating effects and water and paper treatment. Ciba-Shares are listed on the EU compatible segment of SIX Swiss Exchange AG («SWX») and admitted to trading on the EU regulated market segment of SWX Europe Limited (London).

Pursuant to an agreement dated September 14, 2008, BASF and Ciba have agreed to merge their businesses by means of the present Offer of BASF which is supported by the board of directors of Ciba for all publicly held Ciba-Shares. By means of the Offer BASF intends to fully take over Ciba and to fully integrate the Ciba group into the BASF group after the take over (for additional details see Section E.3 (*Agreements between BASF and Ciba, their Corporate Bodies and Shareholders*)).

## **B. Tender Offer**

### **1. Pre-Announcement**

A pre-announcement (the «**Pre-Announcement**») of the Tender Offer by BASF has been made in accordance with articles 7 et seq. of the Swiss Takeover Board's Ordinance on Tender Offers (*Verordnung der Übernahmekommission über öffentliche Kaufangebote*; the «**Swiss Takeover Ordinance**»). The Pre-Announcement was published on September 15, 2008 before the opening of the stock market (Zurich) in the electronic media and on September 17, 2008 in German in the *Neue Zürcher Zeitung* and in French in *Le Temps*.

### **2. Object of the Tender Offer**

The Tender Offer extends to all 65,914,760 issued and, as of the date of the Pre-Announcement, publicly held Ciba-Shares as well as to up to 261,599 Ciba-Shares which are held by Ciba and its direct and indirect subsidiaries as treasury shares and which will be transferred in the context of the Offer to the Ciba employees entitled under the existing Ciba employee participation plans (for additional details see Section E.3 (*Agreements between BASF and Ciba, their Corporate Bodies and Shareholders*)).

The Tender Offer does not extend to the remaining 1,876,722 own Ciba-Shares held by Ciba and its direct and indirect subsidiaries as well as the Ciba-Shares already held by BASF, which on September 15, 2008 (date of the Pre-Announcement) amounted to 1,011,536 shares.

Accordingly, the Tender Offer relates to a maximum amount of 66,176,359 Ciba-Shares, calculated per September 15, 2008 (date of Pre-Announcement) as follows:

	Ciba-Shares
Issued	69,064,617
Ciba-Shares held by BASF and persons acting in concert with BASF	– 1,011,536
Ciba-Shares held by Ciba and its direct and indirect subsidiaries	– 2,138,321*
Maximum number of own Ciba-Shares which under the Ciba employee participation plans will be transferred to Ciba employees	+ 261,599*
<b>Maximum Number of Ciba-Shares to which the Tender Offer relates</b>	<b>66,176,359</b>

\* According to Ciba per September 15, 2008

Ciba has agreed with BASF not to sell, during the Offer Period and during a period of the six-months after the expiration of the Additional Acceptance Period (as defined in Section B.5 (*Additional Acceptance Period*)) or, if later, until the Settlement Date, any of the 1,876,722 Ciba-Shares, which are held as treasury shares and which according to the existing employee participation plans will not be transferred to employees (for additional details see Section E.3 (*Agreements between BASF and Ciba, their Corporate Bodies and Shareholders*)).

### 3. Offer Price

The Offer Price for each Ciba-Share is **CHF 50** net, less the gross amount of any dilution effects becoming effective prior to the settlement of the Tender Offer, including any dividend payments, repayments of capital, capital increases at an issue price below the Offer Price, issuance of options or conversion rights or similar transactions. The Offer Price will not be adjusted for any dilution effects resulting from the transfer of up to 261,599 own Ciba-Shares to Ciba employees under the current Ciba employee participation plans (for additional details see Section E.3 (*Agreements between BASF and Ciba, their Corporate Bodies and Shareholders*)).

The sale during the Offer Period and the Additional Acceptance Period of Ciba-Shares which are deposited with banks in Switzerland will be free of any expenses and charges. The Swiss stamp transfer taxes charged on the sale under the Offer as well as bank expenses for Ciba-Shares which are deposited in a deposit with a bank in Switzerland will be borne by BASF.

The Offer Price reflects a premium of 32% compared to the closing price of Ciba-Shares of CHF 38 on September 12, 2008, the last trading day prior to the Pre-Announcement, and a premium of 64% compared to the volume-weighted average price of CHF 30.44 for Ciba-Shares during the last 60 trading days prior to September 15, 2008 (date of the Pre-Announcement), respectively.

Historical price trend of Ciba-Shares since 2004:

	2004	2005	2006	2007	2008**
High*	93.57	85.00	84.95	85.40	51.65
Low*	74.66	72.51	63.30	45.40	25.18

\* Daily closing price in CHF

\*\* From January 1 until September 12, 2008 (last trading day prior to the Pre-Announcement)

Source: Datastream

### 4. Offer Period

The Tender Offer will remain open from **October 1 to October 28, 2008**, 4:00 p.m. Central European Time (CET) (the «Offer Period»). BASF reserves the right to extend the Offer Period once or several times. In the event of an extension of the Offer Period, the Settlement Date pursuant to Section J.5 (*Payment of the Offer Price; Settlement Date*) will be adjusted accordingly. The Offer Period may be extended by more than 40 trading days only with the prior consent of the Swiss Takeover Board.

## 5. Additional Acceptance Period

If the Tender Offer becomes unconditional (*Zustandekommen*), an additional period for acceptance of the Offer (the «**Additional Acceptance Period**») of 10 trading days will run. If the Offer Period is not extended, the Additional Acceptance Period will start on November 3, 2008 and end on November 14, 2008, 4:00 p.m. (CET).

## 6. Conditions

The Tender Offer is subject to the following conditions:

- (a) Until the expiration of the (possibly extended) Offer Period, Ciba-Shares which have been validly tendered to BASF, together with the Ciba-Shares which BASF may already hold at that time, represent at least 66.67% of all Ciba-Shares issued at the expiration of the Offer Period.
- (b) To the extent required, the competent competition authorities have granted all approvals and/or clearances required for the takeover of Ciba by BASF and all respective waiting periods have expired or been terminated, without imposing any conditions or undertakings on BASF or Ciba or making those approvals and/or clearances subject to any conditions or undertakings that, individually or together with other circumstances or events, in the opinion of an independent audit firm or investment bank of international repute to be appointed by BASF, are reasonably likely to have any of the following effects on Ciba or BASF including their respective direct and indirect group companies:
  - (i) a reduction in the annual consolidated sales in the (equivalent) amount of CHF 650 million (corresponding to approximately 10% of the consolidated sales of Ciba for the period ending December 31, 2007, to be calculated in local currency or comparable exchange rates) or more; or
  - (ii) a reduction in the annual consolidated operating income (i.e., consolidated earnings before interest, tax and restructuring respectively impairment, «**EBIT**») in the (equivalent) amount of CHF 90 million (corresponding to approximately 20% of the consolidated EBIT after restructuring respectively impairment of Ciba for the period ending December 31, 2007, to be calculated in local currency or comparable exchange rates) or more.
- (c) The shareholders' meeting of Ciba has validly resolved (i) to cancel all paragraphs of Art. 5 (*Aktienbuch und Eintragungsbeschränkungen, Nominees*) of the articles of association of Ciba, with the exception of the first paragraph and the first sentence of the second paragraph thereof, (ii) to delete Art. 15 par. 3 of the articles of association of Ciba, and (iii) to delete the words «*und die Aufhebung einer solchen Beschränkung sowie die Beschränkung der Ausübung des Stimmrechts gemäss Art. 5 Abs. 8 und die Aufhebung dieser Beschränkung*» of Art. 19 lit. c) (*Besonderes Quorum*) of the articles of association of Ciba, and those amendments to the articles of association have been validly registered in the commercial register.
- (d) Subject to the condition that the shareholders' meeting of Ciba will pass the resolutions pursuant to condition (c) and all other conditions of the Tender Offer will be satisfied or waived, the board of directors of Ciba has resolved to enter BASF or any other company designated by BASF and controlled by BASF SE into the share register of Ciba with voting rights in respect of all Ciba Shares that it has acquired or will acquire.
- (e) Subject to the condition that all other conditions of the Tender Offer will be satisfied or waived, a shareholders' meeting of Ciba has elected the persons designated by BASF to the board of directors of Ciba.
- (f) From the date of the pre-announcement until the expiration of the (possibly extended) Offer Period, no circumstances or events have occurred or become known that, individually or together with other circumstances or events, in the opinion of an independent audit firm or investment bank of international repute to be appointed by BASF, are reasonably likely to have any of the following lasting effects for Ciba and its direct and indirect subsidiaries:
  - (i) a reduction in the annual consolidated sales in the (equivalent) amount of CHF 650 million (corresponding to approximately 10% of the consolidated sales of Ciba for the period ending December 31, 2007, to be calculated in local currency or comparable exchange rates) or more;
  - (ii) a reduction in the annual consolidated EBIT in the (equivalent) amount of CHF 90 million (corresponding to approximately 20% of the consolidated EBIT after restructuring respectively impairment of Ciba for the period ending December 31, 2007, to be calculated in local currency or comparable exchange rates) or more;

- (iii) a reduction in the consolidated equity in the (equivalent) amount of CHF 331 million (corresponding to 10% of the equity of Ciba as of December 31, 2007) or more. Any differences resulting from foreign currency translations and changes in the funded status of a benefit plan in accordance with FAS 158 are not to be considered.
- (g) The shareholders' meeting of Ciba has not resolved or approved any dividend or capital reduction or any acquisition, de-merger or other disposal of assets, in each case with a value or for a consideration of CHF 880 million (corresponding to 10% of the consolidated assets of Ciba as of December 31, 2007) or more, or any merger or ordinary, authorised or conditional increase of the share capital of Ciba.
- (h) With the exception of the obligations which have been made public prior to this pre-announcement, since December 31, 2007, Ciba and its direct and indirect subsidiaries have not undertaken to acquire or sell any assets or incur or repay any indebtedness in the amount of CHF 880 million (corresponding to 10% of the consolidated assets of Ciba as of December 31, 2007) or more.
- (i) No judgement, order or other authoritative measure has been issued which prohibits or declares illegal the Tender Offer or the consummation thereof.

BASF reserves the right to waive, in whole or in part, one or more conditions.

Conditions (a) and (f) shall be conditions precedent in the meaning of article 13(1) of the Swiss Takeover Ordinance. Conditions (c) and (e) shall also be conditions precedent provided that the shareholders' meeting of Ciba has taken place prior to the expiration of the (possibly extended) Offer Period or the publication in the newspapers of the final interim results of the Offer, respectively. Otherwise, conditions (c) and (e) shall be conditions subsequent in the meaning of article 13(4) of the Swiss Takeover Ordinance until the day of the relevant shareholders' meeting of Ciba. Condition (d) shall be a condition precedent if the board of directors of Ciba takes the required resolution prior to the expiration of the (possibly extended) Offer Period or the publication in the newspapers of the final interim results of the Offer, respectively. Otherwise, condition (d) shall be a condition subsequent in the meaning of article 13(4) of the Swiss Takeover Ordinance until the resolution has been taken. Conditions (b), (g), (h) and (i) shall be conditions subsequent in the meaning of article 13(4) of the Swiss Takeover Ordinance.

To the extent that the conditions precedent have not been satisfied, or waived, until the expiration of the (possibly extended) Offer Period or the publication in the newspapers of the final interim results of the Offer, the Offer shall be declared unsuccessful and revoked. In the event that the conditions subsequent have not been satisfied, or waived, until the Settlement Date pursuant to Section J.5 (*Payment of the Offer Price; Settlement Date*), BASF shall be entitled to revoke the Offer or to postpone the Settlement Date for a period of up to four months after the expiration of the Additional Acceptance Period. Unless the Swiss Takeover Board approves an additional postponement of the settlement of the Offer, BASF will revoke the Offer if the conditions subsequent have not been satisfied, or waived, during such four-months period.

## **C. Information about BASF**

### **1. Company Name, Corporate Seat, Capital and Principal Business Activities of BASF**

BASF is a company with limited liability (*Gesellschaft mit beschränkter Haftung*) governed by German law with its corporate seat in Ludwigshafen am Rhein, Germany. BASF is a wholly-owned direct subsidiary of BASF SE with its corporate seat in Ludwigshafen am Rhein, Germany. BASF is a holding company within the BASF group and holds participations in material group companies. The share capital of BASF amounts to EUR 1,545,000 (approximately CHF 2.45 million). BASF SE and BASF have entered into a control and profit transfer agreement (*Beherrschungs- und Gewinnabführungsvertrag*), pursuant to which BASF SE is required to make up for any losses of BASF and the management of BASF is required to comply with instructions of BASF SE relating to management matters.

### **2. Significant and Controlling Shareholders of BASF**

BASF is fully controlled by BASF SE with its corporate seat in Ludwigshafen am Rhein, Germany. BASF SE is one of the largest companies in the chemical industry with worldwide consolidated annual sales (business year 2007) of approx-



imately EUR 58 billion (roughly CHF 92 billion). The portfolio of BASF SE ranges from oil and gas to chemicals, plastics and performance products, agricultural products and fine chemicals. BASF SE has more than 95,000 employees worldwide.

The shares of BASF SE are listed in Frankfurt (BAS), London (BFA) and Zurich (AN) and have a free-float of 100%. The only reportable person which, in accordance with the provisions of the German Securities Trading Law (*Wertpapierhandelsgesetz*) («WpHG»), has reported as of September 26, 2008 a participation in excess of 5% of the voting rights of BASF SE is AXA S.A., Paris (notification dated August 6, 2007). According to the notification, the voting rights are attributed to the reportable person in accordance with § 22 paragraph 1 no. 6 WpHG without it being a shareholder of BASF SE; rather, the shares granting the voting rights are held in trust by the reportable person or the reportable person is entitled to exercise the voting rights at its sole discretion as agent to the extent that the shareholders have not given specific instructions.

### **3. Persons Acting in Concert with BASF**

For the purpose of the Tender Offer, BASF SE and its direct and indirect subsidiaries (excluding BASF) are deemed to act in concert with BASF. This also applies to Ciba and its direct and indirect subsidiaries for the time period after September 14, 2008, the date on which BASF and Ciba have signed the transaction agreement described in Section E.3 (*Agreements between BASF and Ciba, their Corporate Bodies and Shareholders*).

### **4. Annual Report**

The annual report of the BASF group for the business year 2007 and the half-year report for the first half-year 2008 as of June 30, 2008 are available on the website of BASF at [www.corporate.basf.com](http://www.corporate.basf.com) and can be obtained free of charge at the address specified in Section M (*Informational Materials and Documents*).

### **5. Participations of BASF in Ciba**

BASF and the persons acting in concert with it (excluding Ciba and its direct and indirect subsidiaries) held as of September 26, 2008 1,011,536 Ciba-Shares, which corresponds to 1.5% of the share capital and the voting rights of Ciba. As of the same date, Ciba and its direct and indirect subsidiaries held, according to Ciba, 2,138,321 Ciba-Shares as treasury shares, which corresponds to 3.1% of the share capital and the voting rights of Ciba. As of September 26, 2008, neither BASF nor any of the persons acting in concert with it (including Ciba and its direct and indirect subsidiaries) held any acquisition or conversion rights with respect to Ciba-Shares.

### **6. Purchases and Sales of Participation Rights in Ciba**

During the 12-months period preceding the date of the Pre-Announcement, BASF and the persons acting in concert with it (excluding Ciba and its direct and indirect subsidiaries) purchased a total of 1,011,536 Ciba-Shares, which corresponds to 1.5% of the share capital and the voting rights of Ciba. The highest price paid therefor was CHF 32.18. During the same period, BASF and the persons acting in concert with it (excluding Ciba and its direct and indirect subsidiaries) have neither sold any Ciba-Shares nor purchased or sold any acquisition or conversion rights with respect to Ciba-Shares.

Since September 14, 2008, the date on which BASF and Ciba have signed the transaction agreement described in Section E.3 (*Agreements between BASF and Ciba, their Corporate Bodies and Shareholders*), neither Ciba nor its direct or indirect subsidiaries have purchased or sold any Ciba-Shares or acquisition or conversion rights with respect to Ciba-Shares.

## **D. Financing**

BASF will finance the Offer Price with own funds and existing credit lines.

## **E. Information on Ciba**

### **1. Company Name, Corporate Seat, Share Capital and Annual Report**

Ciba is a Swiss corporation (*Aktiengesellschaft*) of an unlimited duration with its corporate seat in Basel. Its corporate purpose is the acquisition, holding and disposition of enterprises which, among others, are active in the area of specialty chemicals.

The share capital of Ciba amounts to CHF 69,064,617 and is divided into 69,064,617 registered shares (*Namenaktien*) with a nominal value of CHF 1 each. Until March 7, 2010, the board of directors of Ciba is authorized to increase the share capital by the issuance of a maximum of 4 million fully paid-up registered shares with a nominal value of CHF 1 each in a maximum amount of CHF 4 million (authorized capital). The share capital of Ciba will further increase by the issuance of a maximum of 4 million fully paid-up registered shares with a nominal value of CHF 1 each in a maximum amount of CHF 4 million through the exercise of option and convertible rights which have been granted by Ciba or any of its direct or indirect subsidiaries on a stand-alone basis or in connection with bond issues or other debt financing (conditional capital). Finally, the share capital of Ciba will increase by the issuance of a maximum of 2 million fully paid-up registered shares with a nominal value of CHF 1 each up to a maximum amount of CHF 2 million through the exercise of option and convertible rights which have been allotted to employees of Ciba or its direct or indirect subsidiaries (conditional capital). The Ciba-Shares are listed on the EU compatible segment of SWX under the Swiss Security Number 581972 (ISIN CH0005819724) and admitted to trading on the EU regulated market segment of SWX Europe Limited (London).

The annual report of Ciba for the business year ended on December 31, 2007 and the half-year report for the first half-year 2008 as of June 30, 2008 are available at [www.ciba.com](http://www.ciba.com).

### **2. Intentions of BASF with respect to Ciba**

Through the Tender Offer, BASF intends to obtain full (100%) control of Ciba and, after the settlement of the Tender Offer, to fully integrate Ciba and its direct and indirect subsidiaries into the BASF group. BASF has undertaken to settle in Basel a division with global responsibility whose tasks still have to be determined in detail by BASF.

BASF intends to newly fill the board of directors of Ciba per the Settlement Date. The future roles and tasks of the members of the executive committee of Ciba have not yet been determined.

BASF reserves the right to transfer, after the settlement of the Tender Offer, the Ciba-Shares held by it to an entity directly or indirectly fully controlled by BASF SE with its corporate seat in Switzerland or abroad.

BASF intends to apply with the SWX for the de-listing of the Ciba-Shares after the settlement of the Tender Offer.

In the event that BASF holds, after the settlement of the Tender Offer, more than 98% of the voting rights of Ciba, BASF intends to apply for the cancellation of the remaining Ciba-Shares in accordance with article 33 of the Federal Stock Exchange and Securities Trading Act (*Bundesgesetz über die Börsen und den Effektenhandel*) («SESTA»).

Should BASF as a consequence of the Offer acquire or hold between 90% and 98% of the voting rights in Ciba, BASF reserves the right to merge Ciba with a company controlled by BASF SE whereby the remaining minority shareholders of Ciba would not receive any shares in the surviving entity, but a cash compensation or another consideration. The tax consequences resulting from such squeeze-out by way of a merger with a cash-only consideration may be considerably more negative – in particular, for individual persons who are resident in Switzerland and hold the shares as part of their private assets (*Privatvermögen*), and for foreign investors – than the largely tax-free acceptance of the Offer (see also Section J.8 (*General Tax Consequences*)).

### **3. Agreements between BASF and Ciba, their Corporate Bodies and Shareholders**

On August 22, 2008, BASF SE and Ciba concluded a confidentiality agreement customary for this type of transactions, pursuant to which the parties essentially agreed to treat any non-public information which may be exchanged between them as confidential. In addition, the confidentiality agreement contains a timely limited standstill obligation of BASF SE and a no-shop obligation of Ciba. Following the execution of the confidentiality agreement, BASF SE respectively BASF conducted a limited due diligence of Ciba.



On September 14, 2008, BASF and Ciba concluded a transaction agreement (the «**Transaction Agreement**»), under which the following has essentially been agreed:

- BASF undertook to make the present Offer, and Ciba respectively its board of directors undertook to recommend the Offer.
- Ciba undertook in principle not to solicit or support any third party offer (as specified in the Transaction Agreement) and not to recommend for acceptance any third party offer, except for third party offers which are superior to the Offer of BASF.
- Ciba undertook to publish within 5 trading days after BASF declaring the Offer concluded the invitation for an extraordinary shareholders' meeting. Such shareholders' meeting shall be presented with the agenda items necessary for the satisfaction of conditions (c) (deletion of transfer restrictions) and (e) (election of the persons designated by BASF to the board of directors of Ciba). Further, Ciba undertook to register in the share ledger of Ciba BASF as shareholder with voting rights for all Ciba-Shares held and acquired under the Offer by BASF provided that all other conditions of the Offer have been satisfied or waived. In addition, the members of the board of directors of Ciba have agreed to resign from the board of directors of Ciba effective as of the Settlement Date.
- In relation to the Ciba employee participation plans, the parties have agreed, subject to the Offer becoming unconditional and settled, to amend the conditions of the plans essentially in accord with the respective plans as follows:
  - Under the Ciba Equity Plan 2008 («**CEP**»), a total of 94,130 fixed and 94,130 variable grants are outstanding. Under the fixed grants Ciba will transfer a total of 94,130 own Ciba-Shares to the beneficiaries, cancel the respective sales restrictions, and, subject to a contrary written instruction of the beneficiaries, tender the shares into the Offer in the name and for the account of such beneficiaries. The variable grants will be paid out to the beneficiaries in cash at the Offer Price on the Settlement Date of the Offer on the basis of target setting 100% (cash payment at Offer Price). In accord with the provisions of the CEP, any negative tax consequences for the beneficiaries resulting from the early vesting and the early cancellation of the sales restrictions will be borne by Ciba and compensated in cash.
  - Under the Long Term Incentive Plan 2006, 2007 and 2008 («**LTIP**»), a total of 498,265 Ciba-Shares are to be allocated to the beneficiaries, of which 362,241 Ciba-Shares have already been transferred to the relevant blocked accounts. Ciba will yet transfer to the beneficiaries a total of 136,024 own Ciba-Shares, cancel the sales restrictions for all 498,265 Ciba-Shares, and, without a contrary written instruction of the beneficiaries, tender the shares into the Offer in the name and for the account of such beneficiaries. In accord with the provisions of the LTIP, any negative tax consequences for the beneficiaries resulting from the early vesting and the early cancellation of the sales restrictions will be borne by Ciba and compensated in cash.
  - Under the employee participation plan (*Mitarbeiterbeteiligungsplan*; «**MAB**»), the participants of the plan have the right at retirement or termination of employment to purchase a specified number of (currently 35) Ciba-Shares at a purchase price of CHF 10 (for a stock price of up to CHF 150). Under the MAB, purchase rights for a total of 550,570 Ciba-Shares are currently outstanding. The Ciba-Shares necessary for the satisfaction of those purchase rights are held by the Stiftung für Mitarbeiterbeteiligung der Ciba Spezialitätenchemie, Basel (the «**Foundation**»). The Foundation holds currently 605,924 Ciba-Shares. In the Transaction Agreement, Ciba undertook to procure in good faith that the Foundation fully tenders the Ciba-Shares held by the Foundation during the Additional Acceptance Period. Further, Ciba will procure in good faith that the Foundation adapts or amends the purchase rights under the MAB so that each beneficiary receives on the Settlement Date of the Offer from the Foundation a cash amount which reflects the difference between the Offer Price and the price payable by such beneficiary when exercising his/her purchase rights under the MAB (cash settlement).
  - Under the Employee Share Option Plan («**ESOP**»), a total of 31,700 Ciba-Shares are to be allocated to the beneficiaries (allocation 2006, 2007 and 2008), of which 225 Ciba-Shares have already been transferred to the relevant blocked accounts. Ciba will yet transfer a total of 31,445 own Ciba-Shares to the beneficiaries, cancel the sales restrictions for all 31,700 Ciba-Shares, and, subject to a contrary written instruction of the beneficiaries, tender the shares into the Offer in the name and for the account of such beneficiaries. Any negative tax consequences for the beneficiaries resulting from the early vesting and the early cancellation of the sales restrictions will be borne by Ciba and compensated in cash.

- From previous employee participation programs a total of 510,979 employee options are outstanding which grant the right to receive a total of 510,979 Ciba-Shares. All employee options are out of the money. According to the provisions of the plan, the employee options are deemed exercised upon a change of control and the respective beneficiaries receive a cash payment in the amount of the difference between the market price of the Ciba-Shares and the exercise price of the option. Since all outstanding employee options are out of the money, the employee options will expire with effect as of the Settlement Date without further actions.
- In the context of a **«Retention Program»**, 21,000 Ciba-Shares were allocated in 2008 to 37 Ciba employees in Asia, the ownership of which will transfer to the beneficiaries on December 1, 2010, provided that no notice of termination has been given by such date. A change of control does not have an impact on the rights of those beneficiaries. Ciba and BASF have agreed to amend in good faith the retention program in such a manner that the beneficiaries will receive, subject to the settlement of the Offer, another benefit in exchange for the Ciba-Shares which will provide identical or similar incentives to the respective beneficiaries.
- Eventually, it has been agreed in the Transaction Agreement that the board of directors of Ciba adapts the **«Short Term Incentive Plan 2008»** of Ciba so that for those beneficiaries under the plan who have contributed in the board of directors' view to a large extent in the preparation of the transaction with BASF as well as for those beneficiaries who in the board of directors' view occupy key positions for the continuation of the business of Ciba between execution of the Transaction Agreement and the Settlement Date of the Offer the cash incentive envisaged under the provisions of the plan on the basis of the target settings will amount to at most 100% and paid out on the Settlement Date; provided that a transaction will be executed and completed which has been recommended by the board of directors of Ciba and that the respective beneficiaries have not given notice of termination until the Settlement Date.
- In addition, except for the share transfers mentioned above, Ciba undertook not to sell, purchase or issue any Ciba-Shares or options or financial instruments. Further, Ciba is required to conduct its business until the Settlement Date in the ordinary course of business and to execute certain legal transactions only with the consent of BASF, to the extent this is allowed under antitrust law.
- According to the Transaction Agreement, BASF will grant to a circle of up to 50 Ciba key employees who will be determined together with Ciba, a loyalty bonus of up to 100% of the respective annual gross salary (without bonus) to be paid out if the Offer of BASF will be settled and the beneficiary has not given notice of termination during 12 months since the Settlement Date of the Offer.
- As regards the Ciba business, BASF undertook in the Transaction Agreement to continue running for a period of 18 months since the Settlement Date of the Offer various Ciba locations with material productions sites in Switzerland and the location Basel as a material research and development location and, for a period of 12 months since the Settlement Date of the Offer, not to amend to the disadvantage of the employees the existing salary and social contribution systems of Ciba and its direct and indirect subsidiaries. In addition, BASF undertook, after the successful execution and settlement of the Offer, to settle the conduct of a division in Basel with global responsibility whose tasks still have to be determined in detail by BASF, and to continue the name *Ciba* for products group / businesses still to be determined.

Except for the above summarized agreements, no agreements in relation to the Offer exist between BASF and the BASF group companies, on the one side, and Ciba, its direct and indirect subsidiaries and their corporate bodies and shareholders, on the other side.

#### 4. Confidential Information

BASF confirms that neither BASF nor the persons acting in concert with BASF have received, directly or indirectly, from Ciba and its subsidiaries, except as disclosed in the Offer Prospectus or the report of the board of directors of Ciba (see Section H) any confidential information about the course of business of Ciba, which could significantly influence the decision of the recipients of the Tender Offer.

## F. Publication

The Tender Offer as well as all other publications in connection with the Offer will be published in German in the Neue Zürcher Zeitung and in French in Le Temps. Those publications will also be sent to Bloomberg and Reuters.

## G. Report of the Review Body pursuant to Article 25 SESTA

As a review body (*Prüfstelle*) approved under the Federal Stock Exchange and Securities Trading Act (*Bundesgesetz über die Börsen und den Effektenhandel*) («**BEHG**») to review public tender offers, we have reviewed the Offer Prospectus, taking into account the exemption requested from the Swiss Takeover Board. The report of the board of directors of Ciba and the fairness opinion of Perella Weinberg Partners UK LLP, London were not the subject of our review.

BASF is responsible for preparing the Offer Prospectus, while our task is to review such document and to express an opinion thereon.

Our review was performed in accordance with the principles of the profession in Switzerland, which require that a review of an offer prospectus be planned and carried out so as to determine whether the offer prospectus is complete in terms of the formal requirements of the BEHG and its ordinances and to obtain reasonable assurance that the offer prospectus is free from material misstatements. We reviewed the disclosures in the Offer Prospectus by way of analysis and surveys, partly on a spot check basis. We also assessed whether the BEHG and the implementing ordinances have been complied with. We believe that our review forms a reasonable basis for our opinion.

In our judgment:

- the present Offer Prospectus complies with the BEHG and its ordinances bearing in mind the exemption granted by the Swiss Takeover Board;
- the Offer Prospectus is complete and true according to the provisions of the BEHG and its ordinances;
- the recipients of the Tender Offer are treated equally and the compensations regarding the employee participation plans are reasonable;
- the provisions regarding mandatory offers, in particular the provision regarding minimum price, are complied with;
- the financing of the Tender Offer has been ensured and the necessary funds are available on the Settlement Date;
- the provisions regarding the consequences of the Pre-Announcement of this Tender Offer are complied with.

Zurich, September 26, 2008

Deloitte AG

Hans-Peter Wyss

Oliver Wunderle

## H. Report of the Board of Directors of Ciba pursuant to Article 29 SESTA

Pursuant to Article 29 para. 1 SESTA and Article 29 – 32 T00, the board of directors of Ciba Holding Inc., Basel («**Ciba**») comments as follows on the public tender offer for all publicly held registered shares (*Namenaktien*) of Ciba (the «**Ciba Shares**») made by BASF Handels- und Exportgesellschaft mbH, Ludwigshafen, Germany («**BASF**»), a direct subsidiary of BASF SE, Ludwigshafen, Germany (the «**BASF Offer**»):

## **1. Determination**

The board of directors has closely examined the BASF Offer set out in the offer prospectus and recommends that the holders of Ciba Shares accept BASF's Offer and tender their Ciba Shares into the offer. This recommendation is based on the following considerations:

## **2. Recommendation and Reasoning**

### **a) Fair Offer Price**

The offer price represents a premium of 32% over the Ciba Share closing price of CHF 38 on September 12, 2008, the last trading day prior to the publication of the pre-announcement, and of approximately 64% over the volume weighted average Ciba Share price at the SIX Swiss Exchange during the 60 trading days prior to the publication of the pre-announcement on September 15, 2008. In addition, Ciba's board of directors appointed Perella Weinberg Partners UK LLP to issue a fairness opinion to examine the financial adequacy of the offer price. Perella Weinberg Partners UK LLP concluded in their fairness opinion that the price offered by BASF of CHF 50 net per registered share of Ciba with a nominal value of CHF 1 is fair (cf. Fairness Opinion Section 8).

### **b) Potential Resulting from the Combination of the Activities of BASF and Ciba**

In the context of the assessment of the BASF Offer to Ciba, the Ciba board of directors carefully analyzed the short and long-term prospects of Ciba as a stand-alone entity and the advantages of a combination with BASF. Based on this analysis, it arrived at its recommendation.

The combination of BASF and Ciba would strengthen the market positions in Ciba's business fields. In the opinion of Ciba's board of directors and the executive management, the combination offers interesting short, mid and long-term growth opportunities as the businesses are, to a certain extent, complementary. Ciba strengthens BASF's strategy and operations in the field of specialized chemical engineering through its recognized innovation capabilities and application expertise in the business fields of Plastics Additives, Coating Effects and Water & Paper Treatment. At the same time, Ciba benefits from BASF's global production and distribution platform, in particular from its vertically integrated corporate structure and the corresponding advantageous access to important raw materials and intermediates. BASF and Ciba already maintain long-standing and extensive supplier and client relationships.

### **c) Recommendation**

The board of directors and the management of Ciba have initiated strategic and operational measures, since 2006 reinforced by the operational agenda, for the purpose of successfully operating as a stand-alone entity in the future competitive environment. The BASF Offer now allows the shareholders to sell their shares at this point in time with a significant premium of 32% over the closing price immediately prior to the pre-announcement of the Offer. The board of directors believes that the BASF Offer represents an appropriate value that takes into account future business prospects in consideration of existing risks of macroeconomic changes, increasing industrial consolidation and shifts in business development.

Based on the fact that

- (a) the price offered by BASF is fair from a financial point of view;
- (b) BASF expressed its intention to continue the essential parts of Ciba's existing business after integration; and
- (c) BASF will maintain selected important Ciba production and research sites for a certain time period,

the board of directors recommends that Ciba shareholders accept the public tender offer by BASF.

As a result of its assessment and the outlined measures, the board of directors of Ciba is convinced that the BASF Offer is in the best interests of Ciba, its shareholders, employees, customers and suppliers as well as of the research and production site Basel.

### 3. The Transaction Agreement

On September 14, 2008, Ciba signed a transaction agreement (the «**Transaction Agreement**»). The Transaction Agreement defines the conditions of the offer and the respective obligations of Ciba and BASF with regard to the BASF Offer. In particular, the Transaction Agreement stipulates the price BASF has to offer for the Ciba Shares. Furthermore, in the Transaction Agreement BASF made various time-limited commitments with respect to the preservation of Ciba production sites, the maintenance of the R&D site in Basel, the establishment of an operating division with global responsibilities in Basel, the use of the brand «Ciba», as well as for a guarantee for employees (maintenance of existing remuneration and social security programs). The offer prospectus provides for a summary of the Transaction Agreement in section E, no. 3.

Based on these terms and conditions, and subject to the submission of a superior competing offer, Ciba confirmed its support and recommendation of the BASF Offer and agreed to convene an extraordinary shareholders' meeting following expiry of the offer period. At this shareholders' meeting, Ciba shareholders will be able to vote on the removal of percentage restrictions on the entry into the share register, the removal of percentage restrictions on the exercise of voting rights and on the election of certain board members designated by BASF.

### 4. Additional Information Required According to Swiss Takeover Law

#### *a) Members of the Board of Directors and the Executive Management of Ciba*

The board of directors of Ciba is composed of the following members:

- Armin Meyer, Erlenbach ZH, Chairman
- Beat W. Hess, Den Haag, Vice Chairman
- Utz-Hellmuth Felcht, Munich
- Erwin W. Heri, Rätterschen
- Gertrud Höhler, Berlin
- Jean-Marie Pierre Lehn, Strasbourg
- Peter Littmann, Hamburg

The senior management is composed of the following members:

- Brendan Cummins, Chief Executive Officer
- Jürg Fedier, Chief Financial Officer
- Martin Riediker, Chief Innovation Officer
- Giordano Righini, Head Plastic Additives Segment
- Thomas Engelhardt, Head Coating Effects Segment
- James McCumiskey, Head Water & Paper Treatment Segment

#### *b) Potential Conflicts of Interests*

In light of the considerations set out in para. 2 above, the board of directors approved the Transaction Agreement and decided to recommend acceptance of the BASF Offer. The members of the board of directors of Ciba have no other commitments that could result in a potential conflict of interests. No member of Ciba's board of directors has any contractual relationships with BASF (or with any person acting in concert with BASF), whether as a member of its board or otherwise. No member of Ciba's board of directors is acting upon instructions of BASF (or any person acting in concert with BASF), whether in general or in connection with the issuance of this report. Further, none of these board members have a service agreement or material business relationship with BASF.

Subject to the Offer being successful, the board of directors of Ciba will resign effective as of the date of settlement of the Offer.

Subject to the conditions set forth in the Transaction Agreement, the board of directors will recommend the extraordinary shareholders' meeting to elect the candidates designated by BASF to the board of directors (cf. offer prospectus, section E, no. 3).

## c) Potential Financial Consequences of the Offer

### (1) Employee participation plans and Ciba Shares held by members of the board of directors or the senior management

Ciba has various share-based employee participation programs outstanding that grant members of the board of directors and Ciba-employees (including senior management) rights to purchase or receive Ciba Shares.

Under the Long Term Incentive Plan («LTIP»), eligible participants receive shares on the basis of the level of responsibility, which are blocked for a certain time period. Pursuant to the Ciba Equity Plan 2008 («CEP»), selected employees receive shares on a fixed basis as well as on a performance-related basis, which are again blocked. The employee participation plan («MAB») and the Employee Share Option Plan («ESOP») grant eligible participants the right to purchase shares for a defined price after their departure from the company (MAB) or annually under a three-year sale lock-up (ESOP).

Subject to the BASF Offer becoming unconditional, the board of directors has resolved to release all blocked registered shares under the employee participation plans. This procedure is in accordance with the conditions of the respective employee participation plans. Without instruction to the contrary by the relevant beneficiary, the company will tender these registered shares in the name and for the account of the relevant beneficiary into the BASF Offer during the additional acceptance period. In accordance with the plan rules, Ciba will compensate the beneficiaries for possible negative tax implications resulting from the plan modification. Section E.3 of the offer prospectus provides for a detailed description of the modifications of the respective plan rules.

At the date of issuance of the present report, the members of the board of directors and the senior management of Ciba hold the following Ciba Shares and the following entitlements result from the aforementioned plan modifications:

Names	Unrestricted shares	Shares released due to the Offer				Total
		LTIP	CEP	ESOP	MAB	
Board of Directors						
Armin Meyer	75,147	31,279	18,584	60	275	125,345
Beat W. Hess	10,484	0	0	0	70	10,554
Erwin W. Heri	11,736	0	0	60	275	12,071
Utz-Hellmuth Felcht	2,333	0	0	0	35	2,368
Gertrud Höhler	8,549	0	0	0	275	8,824
Jean-Marie P. Lehn	10,762	0	0	0	275	11,037
Peter Littmann	4,627	0	0	60	275	4,962
Senior Management						
Brendan Cummins	7,841	11,833	24,390	60	195	44,319
Jürg Fedier	4,316	4,302	13,938	0	35	22,591
Martin Riediker	6,173	7,889	11,614	60	275	26,011
Giordano Righini	1,692	6,311	10,452	0	0	18,455
James McCummiskey	1,272	4,952	11,034	40	35	17,333
Thomas Engelhardt	501	1,966	9,292	20	275	12,054

The highest theoretical expense that is incurred by Ciba from all described plan modifications is limited to the reimbursement of additional income taxes due to the release of the blocked shares for the plan beneficiaries in Switzerland. This expense is estimated at CHF 433,591.

### (2) Payments in consequence of a takeover

The board of directors decided to amend the provisions on performance bonuses in the current financial year (Short Term Incentive) as described in the following. The original objectives for the Short Term Incentive were based upon certain performance goals, agreed on with the employees, with reference to the achievement of the budget targets regarding sales and operating earnings. The board of directors has now decided that the Short Term Incentive will be determined on the basis of the beneficiary's efforts (a) in relation with the preparation of the transaction with BASF and/or (b) in relation to the continuation of the business of Ciba between the signing of the Transaction Agreement and the day of settlement of the Offer. The cash bonus as provided in the plan rules will be payable in a maximum amount of 100% on the day of settlement of the offer, provided that a transaction is carried out (i) that is recommended by the board of directors of Ciba, (ii) that is executed, and (iii) that the respective beneficiaries have not given notice of termination prior to the day of settlement.



As a result of these modifications of the plan, the Offer results in the following entitlements of senior management members: max. CHF 525,000 for Brendan Cummins, max. CHF 260,000 for Jürg Fedier, max. CHF 230,000 for Martin Riediker, max. CHF 200,000 for Giordano Righini, max. CHF 190,000 for James McCumiskey and max. CHF 180,000 for Thomas Engelhardt.

In addition, pursuant to the Transaction Agreement, BASF will grant a group of up to 50 key employees of Ciba and its direct or indirect subsidiaries a loyalty bonus, if the BASF Offer is settled and if the beneficiaries do not give notice of termination during a period of 12 months from the day of settlement. At the date of issuance of this report, the group of beneficiaries as well as the amount of the compensation have not been determined and will have to be determined jointly by BASF and Ciba.

No benefits will be granted to the members of the board of directors in connection with the BASF Offer. None of the resigning members of the board of directors will receive any severance pay as a result of the BASF Offer, and no agreements have been made regarding the fees of the members to be newly elected to the board.

The employment contracts of senior management members do not contain a change of control clause nor do they provide for severance payments.

#### **d) Contractual Relationships or Other Agreements with BASF**

To the best of knowledge of the board of directors, no further agreements between the BASF group and the Ciba group other than those set out under section E.3 of the offer prospectus exist. Within the operative activities of Ciba, development, licence, sale, supply and service agreements with BASF or BASF group companies exist.

### **5. Intentions of Shareholders Holding more than 3% Voting Rights**

To the best of the board of directors' knowledge, the following shareholders hold more than 3% of the voting rights of Ciba:

- Bestinver Gestion, S.G.I.I.C. S.A. (Madrid), including the stakes of Bestinford F.I. and Bestinver Internacional F.I.: 12.06%
- Morgan Stanley (U.K.) indirectly via its subsidiaries Morgan Stanley & Co Incorporated, MSDW Equity Finance Services I (Cayman) Ltd. and Morgan Stanley & Co International plc: 5.78% and 0.07% purchase positions
- UBS Fund Management (Basel): 3.94%
- UBS AG, Bahnhofstrasse 45, 8098 Zurich directly and indirectly via its subsidiaries: UBS (Luxembourg) S.A., 33a Avenue J.F. Kennedy, 1855 Luxembourg, Luxembourg und UBS Americas Inc., 2711 Centerville Road Suite 400, Wilmington 19808, DE, USA (indirectly by UBS Financial Services Inc., Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington 19808, DE, USA) and (indirectly by UBS Securities LLC, 2711 Centerville Road, Wilmington DE 19808, Delaware, USA): purchase positions 6.58% and sale position 1.44%

Bestinver has indicated in the press that they will not tender their Ciba Shares into the BASF Offer. Otherwise, the board of directors has no knowledge of the intentions of the aforementioned shareholders. The board of directors has no knowledge of any other shareholders holding more than 3% of voting rights in Ciba.

### **6. Defence Measures pursuant to Article 29 Para. 2 SESTA**

The board of directors of Ciba has no knowledge of any defence measures against the BASF Offer and has no intention of taking any defence measures against the BASF Offer.

### **7. Half-Year Results and Recent Changes**

To the knowledge of the board of directors, there have been no material changes to the financial situation and the business prospects of Ciba since the unaudited half-year results of Ciba of June 30, 2008, which are available on the Ciba website at [www.ciba.com](http://www.ciba.com) and can be obtained free of charge from Ciba Inc., Investor Relations, Klybeckstrasse 141, CH-4002 Basel (phone: +41 61 636 50 81 or +41 61 636 50 84, fax: +41 61 636 51 11, e-mail: [investors@ciba.com](mailto:investors@ciba.com)).

## 8. Fairness Opinion

The board of directors of Ciba appointed Perella Weinberg, London (GB) as an independent expert to issue a fairness opinion to examine financial adequacy of the offer price in order to guarantee an objective and independent opinion regarding the offer price. Perella Weinberg concluded in their fairness opinion of September 15, 2008 that the price offered by BASF for the Ciba Shares is fair from a financial point of view.

The fairness opinion of Perella Weinberg is available at [www.ciba.com](http://www.ciba.com) and can be obtained free of charge from Ciba Inc., Investor Relations, Klybeckstrasse 141, CH-4002 Basel (phone: +41 61 636 50 81 or +41 61 636 50 84, fax: +41 61 636 51 11, e-mail: [investors@ciba.com](mailto:investors@ciba.com)).

Basel, September 23, 2008

## I. Recommendation of the Swiss Takeover Board

On September 26, 2008, the Swiss Takeover Board has issued the following recommendation (*Empfehlung*):

1. The public tender offer of BASF Handels- und Exportgesellschaft mbH, Ludwigshafen am Rhein, Germany, to the shareholders of Ciba Holding AG, Basel, complies with the statutory provisions relating to public tender offers.
2. The Swiss Takeover Board grants its approval of the conditions subsequent of the public tender offer (article 13(4) of the Swiss Takeover Ordinance).
3. The Swiss Takeover Board exempts BASF Handels- und Exportgesellschaft mbH from the duty to comply with the cooling-off period (article 14(2) of the Swiss Takeover Ordinance).

## J. Implementation of the Tender Offer

### 1. Information / Registration

#### a) *Persons whose Ciba-Shares are Held in a Custody Account*

Shareholders of Ciba holding their Ciba-Shares in a custody account will be informed of the Tender Offer by the depository bank and are requested to follow the instructions of the depository bank.

#### b) *Persons who keep their Ciba-Shares in Their Own Possession (Heimverwahrer)*

Shareholders of Ciba keeping their Ciba-Shares at home or in a bank safe will be informed about the Offer by the registrar of the share ledger of Ciba and are requested to proceed according to the instructions of the registrar of the share ledger.

### 2. Offer Manager

Bank Vontobel AG, Zurich.

### 3. Tendered Ciba-Shares

Tendered Ciba-Shares will receive the separate Swiss Security Number 4604230. In the event that the Settlement Date of the Offer will be postponed according to Section J.5 (*Payment of the Offer Price; Settlement Date*), SWX will be requested to open a second trading line for the tendered Ciba-Shares presumably as from December 1, 2008. If applicable, trading on the second trading line would be taken up presumably on December 1, 2008 and maintained until the Settlement Date. Customary stock market charges and brokerage fees apply to the purchase and sale of tendered shares on the second trading line and are payable by the buying and selling shareholders.

#### 4. Proxy and Application for Registration

Ciba shareholders who tender their Ciba-Shares will have the possibility to issue a proxy to the independent representative (*unabhängiger Stimmrechtsvertreter*) of Ciba to represent their Ciba-Shares at the general meeting of shareholders which will have to take the resolutions necessary for the satisfaction of conditions (c) and (e) according to Section B.6 (*Conditions*). By issuing the proxy the shareholders will also give the instruction to vote in favor of the resolutions necessary for the satisfaction of those conditions. The granting of the proxy is also combined with the instruction to the deposit bank to have the shareholder registered in his/her/its names in the share ledger of Ciba if such shareholder is not yet registered in the share ledger. Shareholders who do not wish to issue such proxy will have to delete the respective paragraph of the form «Declaration of Acceptance and Assignment». The form «Declaration of Acceptance and Assignment» can be obtained free of charge from the deposit bank or the address mentioned under Section M (*Informational Materials and Documents*). Shareholders tendering their Ciba-Shares who do not keep their Ciba-Shares in their own possession (*Heimverwahrer*) are asked to present the completed and signed form «Declaration of Acceptance and Assignment» to their deposit bank.

#### 5. Payment of the Offer Price; Settlement Date

Payment of the Offer Price for the Ciba-Shares which will have been validly tendered during the Offer Period and the Additional Acceptance Period (the «**Settlement Date**») will occur on November 28, 2008. In the event of an extension of the Offer Period pursuant to Section B.4 (*Offer Period*) or a postponement of the settlement in accordance with Section B.6 (*Conditions*), the Settlement Date will be postponed accordingly.

#### 6. Costs; Fiscal Charges and Taxes

During the Offer Period and the Additional Acceptance Period, Ciba-Shares deposited with banks in Switzerland may be tendered free of costs and fiscal charges. Any Swiss stamp transfer tax that may be charged in connection with such tender as well as any bank charges for Ciba-Shares held in a deposit with a bank in Switzerland will be borne by BASF.

#### 7. Cancellation and Delisting

In the event that BASF holds more than 98% of the voting rights of Ciba after completion of the Tender Offer, BASF reserves the right to apply for the cancellation of the remaining publicly held Ciba-Shares in accordance with article 33 Sesta.

Should BASF, as a result of the Offer, acquire or hold between 90% and 98% of the voting rights in Ciba, BASF reserves the right to merge Ciba with a company controlled by BASF SE whereby the remaining minority shareholders of Ciba would not receive any shares in the surviving entity, but a cash compensation or another consideration. The tax consequences resulting from such squeeze-out by way of a merger with a cash-only consideration may be considerably more negative – in particular, for individual persons who are resident in Switzerland and hold the shares as part of their private assets (*Privatvermögen*), and for foreign investors – than the largely tax-free acceptance of the Offer (see also Section J.8 (*General Tax Consequences*)).

BASF intends to apply with the SWX for the delisting of the Ciba-Shares after the settlement of the Offer.

#### 8. General Tax Consequences

##### a) *General Tax Consequences for Accepting Shareholders and Non-accepting Shareholders in the Event of a Cancellation Procedure According to Article 33 Sesta*

The acceptance of the Tender Offer and the sale of Ciba-Shares under the Tender Offer will in general result in the following tax consequences:

- Shareholders of Ciba who are taxable in Switzerland and hold their Ciba-Shares as part of their private assets (*Privatvermögen*) will in general realize, according to the general principles of Swiss income tax law, a tax-free capital gain or a non-deductible capital loss, respectively; except in the event of a sale of a participation of at least 20% of the share capital of Ciba by one or several Ciba shareholders acting jointly («indirekte

Teilliquidation»). Shareholders of Ciba with a participation of less than 20% are generally not affected by this rule if they tender their Ciba-Shares under the Tender Offer.

- Shareholders of Ciba who are taxable in Switzerland and hold their Ciba-Shares as part of their business assets (*Geschäftsvermögen*) will in general realize, according to the general principles of Swiss individual and corporate income tax law, a taxable capital gain or a tax deductible capital loss, respectively. These tax consequences are also applicable for income tax purposes to persons qualifying as professional securities dealers (*gewerbsmässige Wertschriftenhändler*).
- Shareholders of Ciba who are not taxable in Switzerland will in general not generate any income which will be subject to Swiss individual and corporate income tax, provided that the Ciba-Shares are not attributable to a Swiss permanent establishment (*Betriebsstätte*) or a business activity in Switzerland.
- The sale of Ciba-Shares under the Tender Offer will in general not trigger any Swiss withholding tax, irrespective of the tax residence of the accepting shareholder.

If, after completion of the Tender Offer, BASF holds more than 98% of the voting rights of Ciba and applies for the cancellation of the remaining publicly held Ciba-Shares in accordance with article 33 SESTA (see Section J.7 (*Cancellation and Delisting*)), the tax consequences for those shareholders of Ciba who have not accepted the Offer will in general be the same as if they had tendered their Ciba-Shares under the Tender Offer.

**b) General Tax Consequences for Non-Accepting Shareholders in the Event of a Merger with a Cash-only Consideration**

In the event of a merger with a cash-only consideration after the settlement of the Offer, as described in Section J.7 (*Cancellation and Delisting*), the non-tendering of Ciba-Shares under the Tender Offer can in general result in the following tax consequences:

- As regards shareholders of Ciba who are taxable in Switzerland and hold their Ciba-Shares as part of their private assets (*Privatvermögen*), the difference between the amount of the cash consideration and the nominal value of Ciba-Shares («Liquidationsüberschuss») is generally subject to income tax.
- In the event of a merger with a cash-only consideration, shareholders of Ciba who are taxable in Switzerland and hold their Ciba-Shares as part of their business assets (*Geschäftsvermögen*) will in general realize a taxable capital gain or a tax deductible capital loss.
- Shareholders of Ciba who are not taxable in Switzerland will in general not generate any income which will be subject to Swiss individual and corporate income tax, provided that the Ciba-Shares are not attributable to a Swiss permanent establishment (*Betriebsstätte*) or a business activity in Switzerland.
- For all shareholders of Ciba (irrespective of their tax residence) the difference between the amount of the cash consideration and the nominal value of Ciba-Shares («Liquidationsüberschuss») will be subject to Swiss withholding tax of 35%. Upon request, the withholding tax will generally be refunded to shareholders of Ciba who have their tax residence in Switzerland, provided that those shareholders duly declare the cash consideration in the tax return or, in the event of legal entities, in the profit and loss statement. As regards shareholders of Ciba domiciled abroad, the withholding tax may be refunded, partially or fully, in accordance with a double tax treaty which may be applicable.

**All shareholders of Ciba and all beneficial owners of Ciba-Shares are expressly urged to consult their own tax advisors with respect to the Swiss and foreign tax consequences of the Tender Offer applicable to them.**

## K. Applicable Law and Jurisdiction

This Tender Offer and all rights and obligations resulting therefrom shall be governed by, and construed in accordance with, **Swiss law**. The exclusive place of jurisdiction for all disputes arising out of or in connection with the Tender Offer shall be **Zurich**.

## L. Indicative Timetable

October 1, 2008	Start of Offer Period
October 28, 2008	Expiration of Offer Period*
October 29, 2008	Publication of the preliminary interim results of Tender Offer*
November 3, 2008	Publication of the definitive interim results of Tender Offer*
November 3, 2008	Start of Additional Acceptance Period*
November 14, 2008	End of Additional Acceptance Period*
November 17, 2008	Publication of the preliminary final results of Tender Offer*
November 20, 2008	Publication of the definitive final results of Tender Offer*
November 28, 2008	Settlement of Tender Offer*

\* BASF reserves the right to extend the Offer Period under Section B.4 (*Offer Period*) once or several times. The Offer Period may be extended by more than 40 trading days only with the prior consent of the Swiss Takeover Board. In addition, BASF reserves the right to postpone the Settlement Date according to Section J.5 (*Payment of the Offer Price; Settlement Date*).

## M. Informational Materials and Documents

This Offer Prospectus and the «Declaration of Acceptance and Assignment» form (in German and French) can be requested free of charge from Bank Vontobel AG, Corporate Finance, Gotthardstrasse 43, CH-8022 Zurich, Switzerland (Phone: +41 58 283 70 03, Fax: +41 58 283 70 75, e-mail: [prospectus@vontobel.ch](mailto:prospectus@vontobel.ch)). The Offer Prospectus is also accessible under [www.basf-info.com](http://www.basf-info.com).

### Financial Advisor



### Offer Manager



Private Banking  
Investment Banking  
Asset Management

Leistung schafft Vertrauen

