

ENGELHARD CORP  
Form DFAN14A  
February 23, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934**

Filed by the Registrant o

Filed by a Party other than the Registrant ý

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**ENGELHARD CORPORATION**

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(Name of Registrant as Specified In Its Charter)

**IRON ACQUISITION CORPORATION  
BASF AKTIENGESSELLSCHAFT**

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(1) Amount Previously Paid:

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**Successfully  
Shaping the Future**

**Dr. Jürgen Hambrecht, CEO  
Ludwigshafen, February 22, 2006**

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Our Goal:

Create value across the cycle. Earn a premium on our cost of capital.

In 2005, we earned a premium of 2,354 million Euro on our cost of capital

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[LOGO] **Financial Highlights 2005****Million Euro**

|                                    | <b>FY 2005</b> | <b>FY 2004</b> | <b>%</b> |
|------------------------------------|----------------|----------------|----------|
| Sales                              | 42,745         | 37,537         | 14       |
| EBITDA                             | 8,233          | 7,685          | 7        |
| EBIT before special items          | 6,138          | 5,230          | 17       |
| EBIT                               | 5,830          | 5,193          | 12       |
| Income before taxes and minorities | 5,926          | 4,347          | 36       |
| Net Income                         | 3,007          | 2,004          | 50       |
| EPS (in Euro)                      | 5.73           | 3.65           | 57       |
| Operating Cash Flow                | 5,250*         | 4,634          | 13       |

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\* prior to external financing of pension liabilities

**Profitable Growth**

EBIT by activity\*

**Million Euro**

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\* Before special items as of 1999, excl. Others,

\*\* excl. Pharma, Polyolefins,

\*\*\* based on IFRS

## **Achievements 2005**

### **Achieve profitable growth**

Sales 14%, EBIT before special items 17%

Successful start-up of Nanjing

Tripled earnings in North America

### **Continue portfolio optimization**

Acquisition of growth businesses (Merck Electronic Chemicals, Orgamol)

Divestiture of 50% stake in Basell JV

### **Further reduce cost base Europe, NAFTA, Asia**

Ludwigshafen Site Project higher than expected

NAFTA cost savings earlier than expected

Continuous productivity gains of our production sites

### **Responsible use of cash**

1.4 bn Euro spent on share repurchases

904 million Euro paid in dividends in 2005

Capital discipline

**How will BASF generate value in the future?**

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**Strategic Positioning of Business Units**

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Half of the businesses are in areas with high growth rates and are subject for expansion / moderate expansion

Cash Flow will be mainly invested in expanding business units

Acquisitions will contribute to profitable growth

Divestitures almost completed

**Important Acquisitions 2003 - 2005**

1.5 billion Euro in Sales

| <b>Segment</b>               | <b>Transaction</b>                                                          | <b>Closing Year</b> |
|------------------------------|-----------------------------------------------------------------------------|---------------------|
| Chemicals                    | Merck Electronic Chemicals                                                  | 2005                |
|                              | Callery Chemicals                                                           | 2003                |
| Plastics                     | Leuna Miramid, Engineering Plastics of Honeywell, PA 6.6 business of Ticona | 2003-2005           |
|                              | Foam Enterprises                                                            | 2004                |
| Performance Products         | Remaining shares of NOF Coatings                                            | 2005                |
|                              | PIB Business of Exxon Mobile Chemicals                                      | 2003-2005           |
| Agricultural Pr. & Nutrition | Fipronil Package of Bayer                                                   | 2003                |
|                              | Orgamol                                                                     | 2005                |
| Oil & Gas                    | Urengoy-Achimov field, OOO Megatron NVK                                     | 2003-2004           |
|                              | Storage Saltfleetby                                                         | 2005                |



**Important Divestitures 2003 - 2005**

5.3 billion Euro in Sales

| <b>Segment</b>               | <b>Transaction</b>                                             | <b>Closing Year</b> |
|------------------------------|----------------------------------------------------------------|---------------------|
| Plastics                     | Fiber Business                                                 | 2003                |
|                              | Joliet (Polystyrene Business and Site)                         | 2005                |
|                              | BASELL (50%)                                                   | 2005                |
| Performance Products         | Printing Inks and Printing Systems                             | 2004                |
|                              | Masterbatch Business outside Europe                            | 2004                |
|                              | Furniture and Window Coatings                                  | 2004                |
|                              | DyStar (30%)                                                   | 2004                |
| Agricultural Pr. & Nutrition | Soil Fumigants, Phenoxies, Phorates, Triforine, Imazamethabenz | 2004-2005           |
|                              | Resende Site                                                   | 2005                |
|                              | Cramlington Site                                               | 2004                |
| Oil & Gas                    | Share in two Gas Distribution Companies in the Czech Republic  | 2005                |

**Engelhard:**

**A Supplement with Excellent Strategic Fit**

**Environmental Technologies**

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**Process Technologies**

[GRAPHIC]

**Appearance and Performance Technologies**

[GRAPHIC]

**Materials Services**

[GRAPHIC]

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## Status Report Engelhard Acquisition

| Action                                                                      | Date       |
|-----------------------------------------------------------------------------|------------|
| Announcement of intention to acquire Engelhard                              | January 3  |
| Filing of tender offer with SEC                                             | January 9  |
| Nomination of two directors for election at Engelhard's annual meeting 2006 | January 27 |
| Filing of preliminary proxy statement with SEC                              | February 1 |
| Receipt of US anti-trust approval                                           | February 3 |
| Extension of tender offer to March 3                                        | February 6 |

**Strong Benefits from Acquisition of Degussa's Construction Chemicals**

Source: Degussa

**Sports Flooring**

[GRAPHIC]

**Concrete Admixtures**

[GRAPHIC]

**Mortar Modifiers**

[GRAPHIC]

**Protective Coatings and Sealants**

[GRAPHIC]

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**Status Report Degussa Construction Chemicals Acquisition**

| <b>Action</b>                                                                    | <b>Date</b>         |
|----------------------------------------------------------------------------------|---------------------|
| BASF announces interest in acquiring Degussa Construction Chemicals business     | December 16, 2005   |
| BASF submits binding offer                                                       | End of January 2006 |
| Degussa announces to enter into intensive negotiations only with BASF at present | February 14, 2006   |

**Constantly Improving our Cost Base**

Restructuring and Reorganization

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**Ludwigshafen**

EUR 480m (June 2005)

**Antwerp**

EUR 50m

(expected end of 2006)

**Europe**

EUR 160m (2003)

EUR 90m

(expected end of 2006)

**NAFTA**

USD 250m (June 2005)

USD 150m

(expected mid-2007)

Commercial Effectiveness Program NAFTA: USD 200m (expected end of 2007)

**Focus on distinct Customer Interaction Models**

|                                        |                                          |                                      |
|----------------------------------------|------------------------------------------|--------------------------------------|
| [GRAPHIC]                              | [GRAPHIC]                                | [GRAPHIC]                            |
| <b>Trader/transaction<br/>supplier</b> | <b>Lean/reliable basics<br/>supplier</b> | <b>Standard package<br/>provider</b> |
| [GRAPHIC]                              | [GRAPHIC]                                | [GRAPHIC]                            |
| <b>Product/process<br/>innovator</b>   | <b>Customized solutions<br/>provider</b> | <b>Value chain<br/>integrator</b>    |

**Leading Supplier to Appliance Industry**

Value Creation with Differentiating Offer

**Relative offering level**

[CHART]



**Focus on Market Driven Innovations**

**BASF Innovation Strategy**

**Product  
Innovations**

**Process  
Innovations**

**New Fields of  
Technology**

**Tailor-made business models**

R&D expenditures 2005: 1.06 billion Euro

8% increase in R&D expenditure planned for 2006

Five growth clusters defined:

Nanotechnology

Energy Management

Plant Biotechnology

White Biotechnology

Raw Material Changes

**Agenda 2006**

Continue profitable growth

Further efficiency improvement and cost reductions

Focus cash flow on investments in most promising businesses

Acquire more customer oriented and innovation driven businesses

Integrate acquisition targets successfully

Innovate for growth

## Outlook 2006

**We aim to continue to grow faster than the market. We plan to follow on from the strong level of income from operations (EBIT) before special items posted in 2005.**

Assumptions:

Global economic growth of 3.2% in 2006

Global chemical production growth of 3.0% in 2006

Average oil price of \$55/bbl (Brent)

Average exchange rate of \$1.25 per euro

### Industrial production forecast\* (%)

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### Chemical production forecast\* (%)

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\* Real changes compared with 2005

**Disclaimer**

This presentation contains forward-looking statements under the US Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates and projections of BASF management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict and are based upon assumptions as to future events that may not prove to be accurate.

Many factors could cause the actual results, performance or achievements of BASF to be materially different from those that may be expressed or implied by such statements. Such factors include those discussed in BASF's Form 20-F filed with the Securities and Exchange Commission. We do not assume any obligation to update the forward-looking statements contained in this presentation.

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**On a Success Track**

**Dr. Kurt Bock, CFO**

**Ludwigshafen, February 22, 2006**

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[LOGO]      **Components of Sales Development**

**Change in % vs. equivalent period of previous year**

[CHART]

**Income Statement Highlights**

Q4 2005 vs. Q4 2004

**Million Euro**

|                                            | Q4 2005 | Q4 2004 | %    |
|--------------------------------------------|---------|---------|------|
| Sales                                      | 11,720  | 9,858   | 19   |
| EBITDA                                     | 2,222   | 2,577   | (14) |
| EBIT before special items                  | 1,591   | 1,617   | (2)  |
| EBIT                                       | 1,482   | 1,792   | (17) |
| Financial result                           | (43)    | (691)   |      |
| Income before taxes and minority interests | 1,439   | 1,101   | 31   |
| Net income                                 | 560     | 404     | 39   |
| EPS (reported) in Euro                     | 1.10    | 0.74    | 49   |



**Sales by Regions\***

FY 2005

**In billion EUR, changes in %**

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\* based on location of customer

## Income Statement Highlights I

FY 2005 vs. FY 2004

Million Euro

|                           | FY 2005 | FY 2004 | %  |
|---------------------------|---------|---------|----|
| Sales                     | 42,745  | 37,537  | 14 |
| EBITDA                    | 8,233   | 7,685   | 7  |
| EBIT before special items | 6,138   | 5,230   | 17 |
| EBIT                      | 5,830   | 5,193   | 12 |

**Special Items**

**Million Euro**

|                                            | <b>FY 2005</b> | <b>FY 2004</b> |
|--------------------------------------------|----------------|----------------|
| Special items included in EBIT             | (308)          | (37)           |
| thereof restructuring                      | (295)          | (277)          |
| Special items included in financial result | 222            | (618)          |
| Total                                      | (86)           | (655)          |

**Income Statement Highlights II**

FY 2005 vs. FY 2004

**Million Euro**

|                                            | <b>FY 2005</b> | <b>FY 2004</b> | <b>%</b> |
|--------------------------------------------|----------------|----------------|----------|
| Financial result                           | 96             | (846)          |          |
| Thereof:                                   |                |                |          |
| Income from financial assets               | 348            | (596)          |          |
| Interest result                            | (170)          | (206)          |          |
| Other financial results                    | (82)           | (44)           |          |
| Income before taxes and minority interests | 5,926          | 4,347          | 36       |
| Net income                                 | 3,007          | 2,004          | 50       |
| EPS (reported) in Euro                     | 5.73           | 3.65           | 57       |
| EPS (acc. to US-GAAP) in Euro              | 5.83           | 3.39           | 72       |

## Changes in Financial Reporting

IFRS used as reporting standard since January 1<sup>st</sup>, 2005

Impairment only approach for goodwill

Capitalization of interest cost for construction period

Fair value approach to financial instruments

Pensions: Fresh start approach as of Jan. 1, 2004

☞ option of IAS 19 (actuarial gains and losses charged against equity)

## **Changes in Financial Reporting**

Other changes in BASF's financial reporting

Unaudited IFRS figures for 2004 published in Q1 2005 have been slightly adjusted. Effects taken into consideration in Q4 2004.

Expenses related to exploration for oil and gas deposits and to dry holes eliminated from research and development expenses and included in other operating expenses. 2004 figures were adjusted.

Detailed Financial Report to be published on March 14, 2006

**Segment Performance**

Q4 2005 vs. Q4 2004

| <b>Million EUR</b>                |                          | <b>Sales</b> | <b>%</b> | <b>EBIT*</b> | <b>%</b> |
|-----------------------------------|--------------------------|--------------|----------|--------------|----------|
| Chemicals                         |                          | 2,211        | 18       | 379          | (10)     |
| Plastics                          |                          | 3,037        | 6        | 221          | (7)      |
| Performance Products              |                          | 2,155        | 9        | 177          | (7)      |
| Agricultural Products & Nutrition |                          | 1,203        | 5        | 118          | (37)     |
| thereof                           | Agricultural Products    | 720          | 2        | 124          | (33)     |
|                                   | Fine Chemicals           | 483          | 11       | (6)          |          |
| Oil & Gas                         |                          | 2,536        | 57       | 753          | 47       |
| thereof                           | Exploration & Production | 1,040        | 43       | 603          | 45       |
|                                   | Gas Trading              | 1,496        | 68       | 150          | 55       |
| Other                             |                          | 578          | 59       | (57)         |          |

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\* Before special items

**Segment Performance**

FY 2005 vs. FY 2004

| <b>Million EUR</b>                |                          | <b>Sales</b> | <b>%</b> | <b>EBIT*</b> | <b>%</b> |
|-----------------------------------|--------------------------|--------------|----------|--------------|----------|
| Chemicals                         |                          | 8,103        | 15       | 1,488        | 8        |
| Plastics                          |                          | 11,718       | 11       | 1,031        | 37       |
| Performance Products              |                          | 8,267        | 3        | 890          | 5        |
| Agricultural Products & Nutrition |                          | 5,030        | (2)      | 693          | (9)      |
| thereof                           | Agricultural Products    | 3,298        | (2)      | 671          | 1        |
|                                   | Fine Chemicals           | 1,732        | (3)      | 22           | (77)     |
| Oil & Gas                         |                          | 7,656        | 45       | 2,410        | 46       |
| thereof                           | Exploration & Production | 3,499        | 41       | 2,094        | 59       |
|                                   | Gas Trading              | 4,157        | 49       | 316          | (7)      |
| Other                             |                          | 1,971        | 26       | (374)        | (127)    |

\* Before special items



**Statement of Cash Flows I****Million EUR**

|                                                                                        | <b>2005</b> | <b>2004</b> |
|----------------------------------------------------------------------------------------|-------------|-------------|
| Cash provided by operating activities before external financing of pension obligations | 5,250       | 4,634       |
| Net income                                                                             | 3,007       | 2,004       |
| Depreciation and amortization of intangible, tangible and financial assets             | 2,427       | 3,119       |
| Changes in working capital                                                             | 250         | (193)       |
| Miscellaneous items                                                                    | (434)       | (296)       |
| Cash provided by operating activities                                                  | 1,590       | 4,634       |
| Transfer of liquid funds to the Contractual Trust Arrangement (CTA)                    | (3,660)     |             |

**Statement of Cash Flows II****Million EUR**

|                                                          | <b>2005</b> | <b>2004</b> |
|----------------------------------------------------------|-------------|-------------|
| Cash used in investing activities                        | (706)       | (1,233)     |
| Payments related to tangible and intangible fixed assets | (1,948)     | (2,057)     |
| Acquisitions / divestitures                              | 995         | 570         |
| Financial investments and other items                    | 247         | 254         |
| Cash used in financing activities                        | (2,108)     | (1,836)     |
| Capital increases / repayments                           | (1,425)     | (781)       |
| Changes in financial liabilities                         | 299         | (203)       |
| Dividends                                                | (982)       | (852)       |

**Balance Sheet**

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