

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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- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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**Successfully  
Shaping the Future**

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

[LOGO]

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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**

[CHART]

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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**

[CHART]

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**

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**Appearance and Performance Technologies**

[GRAPHIC]

**Materials Services**

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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**

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**Concrete Admixtures**

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**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

[CHART]

**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**

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

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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**

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**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**

	<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

**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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