Rockwood Holdings, Inc.
Form DEF 14A
April 18, 2007

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**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 (Amendment No. )

Filed by the Registrant ý

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Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

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**ROCKWOOD HOLDINGS, INC.**

(Name of Registrant as Specified In Its Charter)

**NA**

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

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**ROCKWOOD HOLDINGS, INC.**
**100 Overlook Center**
**Princeton, New Jersey 08540**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**
**To Be Held May 16, 2007**

April 18, 2007

To our stockholders:

On behalf of your board of directors, we are pleased to invite you to attend the 2007 annual meeting of stockholders of Rockwood Holdings, Inc. The meeting will be held on Wednesday, May 16, 2007 at 9:00 a.m., local time, at our offices located at 100 Overlook Center, Princeton, New Jersey 08540.

At the meeting, you will be asked to:

(1) Elect three Class II directors to serve until their successors are duly elected and qualified;

(2) Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2007; and

(3) Transact any other business properly brought before the meeting.

Stockholders of record as of the close of business on April 5, 2007 are entitled to notice of and to vote at the meeting. To assure your representation at the meeting, please execute and return the enclosed proxy card in the envelope provided, whether or not you plan to attend the meeting.

Sincerely,

Seifi Ghasemi

Chairman and Chief Executive Officer

This proxy statement is first being mailed to stockholders on or about April 18, 2007.

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**ROCKWOOD HOLDINGS, INC.**
**100 Overlook Center**
**Princeton, New Jersey 08540**

**PROXY STATEMENT**
**For the Annual Meeting of Stockholders to be Held On**
**May 16, 2007**

## GENERAL INFORMATION ABOUT ROCKWOOD'S ANNUAL MEETING

We are providing this proxy statement in connection with the solicitation of proxies by the board of directors of Rockwood Holdings, Inc. for use at Rockwood's 2007 annual meeting of stockholders and at any adjournment of the annual meeting. You are cordially invited to attend the annual meeting, which will be held at our offices located at 100 Overlook Center, Princeton, New Jersey 08540, on Wednesday, May 16, 2007 at 9:00 a.m. local time.

### *Stockholders Entitled to Vote*

The record date for the annual meeting is April 5, 2007. Only stockholders of record as of the close of business on that date are entitled to notice of and to vote at the annual meeting. On April 5, 2007, there were 73,788,870 shares of common stock outstanding.

### *Required Vote*

The presence in person or by proxy of the holders of a majority of the shares outstanding on the record date is necessary to constitute a quorum for the transaction of business at the meeting. Each stockholder is entitled to one vote, in person or by proxy, for each share of common stock held as of the record date on each matter to be voted on. Abstentions and broker non-votes are included in determining whether a quorum is present. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary power with respect to that item and has not received instructions from the beneficial owner.

Directors will be elected by a plurality of the votes present in person or represented by proxy and entitled to vote at the annual meeting. Thus, an abstention or broker non-vote will have no effect on the outcome of the vote on election of directors at the annual meeting. For the ratification of the appointment of Deloitte & Touche LLP and all other matters, the affirmative vote of a majority of the votes present in person or represented by proxy and entitled to vote at the annual meeting is required.

As of April 5, 2007, affiliates of Kohlberg Kravis Roberts & Co. L.P., or KKR, beneficially own and have the right to vote approximately 50.9% of the outstanding shares of our common stock and have advised us that they intend to vote all such shares in favor of the nominees for director and the ratification of the appointment of Deloitte & Touche LLP. As a result, we are assured a quorum at the annual meeting, the election of the Class II directors, and the ratification of the appointment of Deloitte & Touche LLP.

## BOARD RECOMMENDATIONS AND APPROVAL REQUIREMENTS

Delaware law and Rockwood's certificate of incorporation and by-laws govern the vote on each proposal. The board of directors' recommendation is set forth together with the description of each item in this proxy statement. In summary, the board of directors' recommendations and approval requirements are:

***PROPOSAL 1. ELECTION OF DIRECTORS***

**The first item to be voted on is the election of three Class II directors to serve until their successors are duly elected and qualified. The board of directors has nominated three people as directors, each of whom is currently serving as a director of Rockwood.**

You may find information about these nominees, beginning on Page 4.

You may vote in favor of all the nominees, withhold your votes as to all nominees, or withhold your votes as to specific nominees. Assuming a quorum, each share of common stock may be voted for as many nominees as there are directors to be elected. Directors will be elected by a plurality of the votes cast. Stockholders may not cumulate their votes. Abstentions and broker non-votes will have no effect on the outcome of the vote on election of directors at the annual meeting.

**The board of directors unanimously recommends a vote FOR each director nominee.**

***PROPOSAL 2. RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM***

**The second item to be voted on is the ratification of the appointment of Deloitte & Touche LLP as Rockwood's independent registered public accounting firm for the fiscal year ending December 31, 2007.**

You may find information about this proposal beginning on Page 6.

You may vote in favor of the proposal, vote against the proposal, or abstain from voting. Assuming a quorum, the proposal will pass if approved by a majority of the shares present in person or represented and entitled to vote on the matter. Abstentions will have the same effect as votes against the proposal and broker non-votes will have no effect on the outcome of the vote.

**The board of directors unanimously recommends a vote FOR the ratification of the appointment of Deloitte & Touche LLP as Rockwood's independent registered public accounting firm.**

## *OTHER MATTERS TO COME BEFORE THE ANNUAL MEETING*

The board of directors is not aware of any other business to be presented for a vote of the stockholders at the annual meeting. If any other matters are properly presented for a vote, the people named as proxies will have discretionary authority, to the extent permitted by law, to vote on such matters according to their best judgment.

## PROXIES AND VOTING PROCEDURES

Your vote is important and you are encouraged to vote your shares promptly.

***How Proxies are Voted***

You may vote by completing and mailing the enclosed proxy card or by voting in person at the annual meeting. Each proxy will be voted as directed. However, if a proxy solicited by the board of directors does not specify how it is to be voted, it will be voted as the board of directors recommends  that is, FOR the election of the three nominees for Class II director named in this proxy statement and FOR the ratification of the appointment of Deloitte & Touche LLP as Rockwood's independent registered public accounting firm for fiscal year ending December 31, 2007. If any other matters are properly presented at the annual meeting for consideration, such as consideration of a motion to adjourn the annual meeting to another time or place, the persons named as proxies will have discretion to vote on those matters according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote. As of the date of this proxy statement, we did not anticipate that any other matters would be raised at the annual meeting.

***How to Revoke or Change Your Proxy***

If you submit a proxy and then wish to change your vote or vote in person at the annual meeting, you will need to revoke the proxy that you have submitted. You can revoke your proxy at any time before it is voted by delivery of a properly executed, later-dated proxy or a written revocation of your proxy. A later-dated proxy or written revocation must be received before the annual meeting by the Corporate Secretary of Rockwood, Thomas J. Riordan, at 100 Overlook Center, Princeton, New Jersey 08540, or it must be delivered to the Corporate Secretary at the annual meeting before proxies are voted. You will be able to change your proxy as many times as you wish prior to its being voted at the annual meeting and the last proxy received chronologically will supersede any prior proxies.

***Method and Cost of Proxy Solicitation***

This proxy solicitation is being made on behalf of Rockwood and the expense of preparing, printing and mailing this proxy statement is being paid by us. Proxies may be solicited by officers, directors and employees of Rockwood in person, by mail, telephone, facsimile or other electronic means. We will not specially compensate those persons for their solicitation activities. In accordance with the regulations of the Securities and Exchange Commission and the New York Stock Exchange, we will reimburse brokerage firms and other custodians, nominees and fiduciaries for their expense incurred in sending proxies and proxy materials to beneficial owners of our common stock.

***Stockholder Director Nominations and Proposals for the 2008 Annual Meeting***

Pursuant to Rockwood's by-laws, stockholders may present director nominations and proposals that are proper subjects for consideration at an annual meeting. Rockwood's by-laws require all stockholders who intend to nominate persons for election to the board of directors or make proposals at an annual meeting to give timely notice thereof in writing to the Corporate Secretary of Rockwood, Thomas J. Riordan, at 100 Overlook Center, Princeton, New Jersey 08540, not less than 90 days nor more than 120 days prior to the first anniversary of the date on which Rockwood first mailed its proxy materials for the previous year's annual meeting, which is April 18, 2007, after which point a shareholder proposal will be considered untimely. In the event that the date of the 2008 annual meeting is changed by more than 30 days from the anniversary date of the annual meeting, stockholder notice must be so delivered not earlier than 120 days prior to the 2008 annual meeting and not later than the close of business on the later of the 90th day prior to the 2008 annual meeting or the 10th day following the day on which public announcement of the date of the 2008 annual meeting is first made. However, if the number of directors to be elected to the board of directors of Rockwood is increased and there is no public announcement by Rockwood naming all of the nominees for director or specifying the size of the increased board of directors at least 100 calendar days prior to the anniversary of the mailing of proxy materials for the prior year's annual meeting, then a stockholder notice only with respect to nominees for any new positions created by such increase must be received by the Corporate Secretary of Rockwood not later than the close of business on the 10th day following such public announcement.

## PROPOSAL ONE

## ELECTION OF DIRECTORS

The first agenda item to be voted on is the election of three Class II directors to serve until their successors are duly elected and qualified.

***General Information***

The board of directors currently consists of eight directors and one vacancy, and is divided into three classes Class I, Class II and Class III. On April 9, 2007, the board of directors appointed J. Kent Masters effective as of May 16, 2007 to fill the vacancy in the Class I membership created by the resignation of Fredrik Sjödin on January 5, 2007. As of May 16, 2007, the board of directors will consist of nine directors. Directors are generally elected for three-year terms on a staggered term basis, so that each year the term of office of one class will expire and the terms of office of the other classes will extend for additional periods of one and two years, as applicable. The term of office for current Class II directors expires at the annual meeting and thereafter until the person's successor has been duly elected and qualified. The term of office for Class I and Class III directors will expire at the 2009 annual meeting of stockholders and the 2008 annual meeting of stockholders, respectively.

This year's nominees have been nominated to serve for a three-year term expiring at the 2010 annual meeting of stockholders and thereafter until the person's successor has been duly elected and qualified. We have inquired of the nominees and determined that they will serve if elected. If, for any reason, any nominee becomes unavailable for election and the board of directors selects a substitute nominee, the proxies will be voted for the substitute nominee selected by the board of directors. The board of directors has no reason to believe that any of the named nominees is not available or will not serve if elected.

The nominees are current directors of Rockwood, and a description of the background of each is set forth below. Immediately thereafter is a description of the background of the existing directors whose terms of office extend beyond the annual meeting.

***Nominees for Election at the Annual Meeting***

| Name | Age | Position | Class |
|---|---|---|---|
| Seifi Ghasemi | 62 | Chairman and Chief Executive Officer | II |
| Sheldon R. Erikson | 65 | Director | II |
| Perry Golkin | 53 | Director | II |

**Seifi Ghasemi** has been Chairman and Chief Executive Officer of Rockwood and Rockwood Specialties Group since November 2001. From 1997 to 2001 he was with GKN, plc, a $6.0 billion revenue per year global industrial company. He served as a director of the Main Board of GKN, plc and was Chairman and Chief Executive Officer of GKN Sinter Metals, Inc. and Hoeganes Corporation. Before that, for 18 years, Mr. Ghasemi was with the BOC Group, plc, a $7 billion revenue per year global industrial gas company. He was a director of the Main Board of the BOC Group, plc; President, BOC Gases Americas and Chairman and Chief Executive Officer of BOC Process Plants, LTD and Cryostar. Mr. Ghasemi has a Masters of Science degree in Mechanical Engineering from Stanford University.

**Sheldon R. Erikson** has been a director of Rockwood since November 10, 2005. Mr. Erikson has been the Chairman of Cameron International Corp, a global manufacturer, provider and servicer of petroleum equipment, since 1996 and the President and Chief Executive Officer since 1995. He was Chairman from 1988 to 1995, and President and Chief Executive Officer from 1987 to 1995, of The Western Company of North America, an international petroleum service company. He also serves on the boards of directors of the National Petroleum Council, the American Petroleum Institute, the Petroleum Equipment Suppliers Association and the National Association of Manufacturers. Mr. Erikson studied at the University of Illinois and has a M.B.A. from Harvard University.

**Perry Golkin** has been a director of Rockwood since 2000. Mr. Golkin has been an executive with KKR and a general partner of KKR since 1995. In 1996, he became a member of KKR & Co. L.L.C. which serves as the general partner of KKR. Mr. Golkin is also a member of the board of directors of

Bristol West Holdings, Inc., PRIMEDIA, Inc., Alea Group Holdings (Bermuda) Ltd and Willis Group Holdings Limited. Mr. Golkin has a B.S., M.S. from The Wharton School, University of Pennsylvania and a J.D. from the University of Pennsylvania.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE NOMINEES LISTED ABOVE.

***Directors Whose Terms Do Not Expire This Year***

| Name | Age | Position | Class |
|---|---|---|---|
| Brian F. Carroll | 35 | Director | III |
| Todd A. Fisher | 41 | Director | III |
| Douglas L. Maine | 58 | Director | III |
| J. Kent Masters | 46 | Director | I |
| Cynthia A. Niekamp | 47 | Director | I |
| Susan Schnabel | 45 | Director | I |

**Brian F. Carroll** has been a director of Rockwood since 2000, a member of KKR & Co. LLC, which serves as a general partner of KKR, since January 2006, and an executive of KKR since 1999. In addition, Mr. Carroll was an executive at KKR from 1995 to 1997, at which time he left KKR to attend business school at Stanford University. Prior to joining KKR in 1995, Mr. Carroll was with Donaldson Lufkin & Jenrette Securities Corporation. Mr. Carroll is a member of the board of directors of Sealy Corporation. Mr. Carroll has a B.S. from the University of Pennsylvania and a M.B.A. from Stanford University.

**Todd A. Fisher** has been a director of Rockwood since 2000, a member of KKR & Co. LLC, which serves as a general partner of KKR, since January 2001 and an executive of KKR since 1993. Prior to joining KKR, he was with Goldman, Sachs & Co. in its Corporate Finance Department. Mr. Fisher is a member of the board of directors of Alea Group Holdings (Bermuda) Ltd, Bristol West Holdings, Inc., Duales System Deutschland AG and Maxeda B.V. Mr. Fisher has a B.A. from Brown University, an M.A. from Johns Hopkins University and a M.B.A. from The Wharton School, University of Pennsylvania.

**Douglas L. Maine** has been a director of Rockwood since August 1, 2005. Mr. Maine joined International Business Machines in 1998 as Chief Financial Officer following a 20 year career with MCI, where he was Chief Financial Officer from 1992-1998. He was named General Manager of ibm.com in 2000 and General Manager of Consumer Products Industry in 2003 and retired in 2005. Mr. Maine is also a member of the board of directors of Alliant Techsystems, Inc. Mr. Maine has a B.S. from Temple University and a M.B.A. from Hofstra University.

**J. Kent Masters** was appointed by the board of directors in April 2007 and will become a director of Rockwood effective May 16, 2007. Mr. Masters has been a member of the Executive Board of Linde AG, a global leader in manufacturing and sales of industrial gases, with responsibility for the Americas, Africa and the tonnage and bulk businesses, since 2006. Prior to joining Linde AG, Mr. Masters was a member of the Board of Directors of BOC Group, plc, a global industrial gas company, which was acquired by Linde AG in 2006. At BOC Group, plc, he served as President, Process Gas Solutions-Americas, from 2002-2005 and as Chief Executive, Industrial and Special Products, from 2005 until 2006. Mr. Masters has a B.Sc. degree in chemical engineering from Georgia Institute of Technology and a M.B.A. from the Leonard N. Stern School of Business, New York University.

**Cynthia A. Niekamp** has been a director of Rockwood since March 15, 2006. Ms. Niekamp has been a Vice President of BorgWarner, Inc., and President and General Manager of its TorqTransfer Systems division since 2004. Prior to joining BorgWarner, Inc., she spent nine years at MeadWestvaco Corporation, where she served in various senior management roles in strategic planning as well as four years as President of its Specialty Papers division and most recently as Senior Vice President and Chief Financial Officer. From 1990 to 1995, she served in various operational and business development roles at TRW, Inc. and before that she spent approximately 10 years at General Motors Corporation in operations and engineering. Ms. Niekamp has a B.S. from Purdue University in industrial engineering and a M.B.A. from Harvard University.

**Susan Schnabel** has been a director of Rockwood since July 2004. Ms. Schnabel joined DLJ's Investment Banking Division in 1990 and DLJ Merchant Banking in 1998. In 1997, she left DLJ's Investment Banking Division to serve as Chief Financial Officer of PETsMART, a high growth specialty retailer of pet products and supplies, and joined DLJ Merchant Banking as Managing Director in 1998. Ms. Schnabel is a director of DeCrane Aircraft Holdings, Inc., Frontier Drilling, Laramie Energy, LLC, Luxury Optical Holdings, Inc., Pinnacle Gas Resources, Inc., Target Media Corp. and Total Safety U.S., Inc. Ms. Schnabel received a B.S. from Cornell University in 1983 and a M.B.A. from Harvard University.

## PROPOSAL TWO

## RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**The second agenda item to be voted on is the ratification of the appointment of Deloitte & Touche LLP as independent registered public accounting firm for the fiscal year ending December 31, 2007.**

The audit committee of the board of directors has appointed Deloitte & Touche LLP to audit our consolidated financial statements for the fiscal year ending December 31, 2007. We are asking our stockholders to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm. Although stockholder ratification of the appointment is not required, the board of directors is submitting the appointment of Deloitte & Touche LLP to our stockholders for ratification as a matter of good corporate practice.

Even if the appointment is ratified, the audit committee may in its discretion select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of Rockwood and our stockholders. If the appointment is not ratified by our stockholders, the audit committee will reconsider the appointment.

A representative of Deloitte & Touche LLP is expected to attend the annual meeting and be available to respond to appropriate questions. The representative will be afforded an opportunity to make a statement, if he or she desires to do so.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS ROCKWOOD'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

## OTHER MATTERS

As of the date of this proxy statement, we know of no business that will be presented for consideration at the annual meeting other than the items referred to above. If any other matter is properly brought before the annual meeting for action by stockholders, proxies in the enclosed form returned to Rockwood will be voted in accordance with the recommendation of the board of directors, or in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

## CORPORATE GOVERNANCE AND RELATED MATTERS

### *Director Independence*

We avail ourselves of the "controlled company" exception under the NYSE rules which eliminates the requirements that we have a majority of independent directors on our board of directors and that we have compensation and corporate governance and nominating committees composed entirely of independent directors, but retains the requirement that we have an audit committee consisting of at least three members composed entirely of independent members. The board of directors has determined that Sheldon R. Erikson, Douglas L. Maine, J. Kent Masters and Cynthia A. Niekamp are independent directors within the meaning of applicable NYSE listing standards and the applicable provisions of the Securities Exchange Act of 1934, as amended.

When making "independence" determinations, the board of directors shall broadly consider all relevant facts and circumstances, as well as any other facts and considerations specified by the NYSE, by law or by any rule or regulation of any other regulatory body or self-regulatory body applicable to Rockwood. When assessing the materiality of a director's relationship with Rockwood, the board of directors shall consider the issue not merely from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation. Although the board of directors has not adopted categorical standards for purposes of affirmatively determining independence, the board has determined that the following relationships will not be considered material relationships that would impair a director's independence:

- the director beneficially owns, or is an employee or affiliate of another company or entity that beneficially owns, less than 10% of Rockwood's common stock;

- the director is a current employee, or an immediate family member of the director is a current executive officer, of another company that makes payments to, or receives payment from, Rockwood for property or services in an amount which does not exceed, and has not for each of the last three years exceeded, the greater of $1,000,000 or 2% of the consolidated gross revenues of such other company; and

- the director serves as an executive officer, director or trustee of a tax exempt organization, and Rockwood's contributions to such tax exempt organization do not exceed, and have not for each of the last three years exceeded, the greater of $1,000,000 or 2% of such tax exempt organization's consolidated gross revenues.

### *Meetings of the Board of Directors*

The board of directors is required to meet at least four times annually, or more frequently as circumstances dictate. The board of directors met four times in 2006, either in person or by telephone. All directors are expected to participate, whether in person or by telephone, in all board meetings. Each director attended at least 75% of all board of directors and applicable committee meetings during 2006. Eight directors attended the 2006 annual meeting of stockholders held on May 24, 2006.

### *Audit Committee*

Our audit committee currently consists of Sheldon R. Erikson, Douglas L. Maine and Cynthia A. Niekamp. Mr. Masters will become a member of the audit committee on May 16, 2007. The board of directors has determined that all of the members of the audit committee are financially literate and meet the independence requirements mandated by the applicable NYSE listing standards, Section 10A(m)(3) of the Securities and Exchange Act of 1934 and our independence standards. Mr. Maine is the chairperson and serves as the audit committee financial expert.

Our audit committee is responsible for (1) selecting the independent auditors, (2) approving the overall scope of the audit, (3) assisting the board of directors in monitoring the integrity of our financial statements, the independent accountant's qualifications and independence, the performance of the independent accountants and our internal audit function and our compliance with legal and regulatory requirements, (4) annually reviewing an independent auditors' report describing the auditing firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, (5) discussing the annual audited financial and quarterly statements with management and the independent auditor, (6) discussing earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies, (7) discussing policies with respect to risk assessment and risk management, (8) meeting separately, periodically, with management, internal auditors and the independent auditor, (9) reviewing with the independent auditor any audit problems or difficulties and management's response, (10) setting clear hiring policies for employees or former employees of the independent auditors, (11) handling such other matters that are specifically delegated to the audit committee by the board of directors from time to time and (12) reporting regularly to the full board of directors.

The audit committee has adopted a formal policy concerning the pre-approval of audit and non-audit services to be provided by our independent registered public accounting firm. The policy requires that all services to be performed by Deloitte & Touche LLP, including audit services, audit-related services and permitted non-audit services, be pre-approved by the audit committee. Pre-approval is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of services and is subject to a budget. Specific services being provided by the independent accountants are regularly reviewed in accordance with the pre-approval policy and the audit committee may pre-approve particular services on a case-by-case basis. The audit committee has delegated the authority to grant pre-approvals to Mr. Maine, the audit committee chair, when the full audit committee is unable to do so. At each subsequent audit committee meeting, the audit committee reviews these pre-approvals, receives updates on the services actually provided by the independent accountants, and management may present additional services for approval. For 2006, the audit committee pre-approved all audit, audit-related and non-audit services performed by Deloitte & Touche LLP.

Our audit committee is required to meet at least four times annually, or more frequently as circumstances dictate. The committee met eight times in 2006.

Our board of directors has adopted a written charter for the audit committee, which is available on our website at www.rocksp.com in the "Investor Relations Corporate Governance" section, and upon written request by our stockholders at no cost.

***Audit Committee Report***

The audit committee reviews Rockwood's financial reporting process on behalf of the board of directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. The independent registered public accounting firm is responsible for expressing an opinion on those audited consolidated financial statements in conformity with accounting principles generally accepted in the United States.

In fulfilling its responsibilities, the audit committee has reviewed and discussed the audited consolidated financial statements contained in Rockwood's Annual Report on Form 10-K for the year ended December 31, 2006 with Rockwood's management and independent registered public accounting firm. The audit committee has also discussed with the independent registered public accountant the matters required to be discussed by Statement on Auditing Standards No. 61, *Communications With Audit Committees*, including the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of the disclosures in the financial statements. In addition, the audit committee reviewed and discussed with the independent registered public accounting firm the auditor's independence from Rockwood and its management, including the matters in the written disclosures and letter which were received by the audit committee from the independent registered public accountant, as required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*.

Based on the reviews and discussions referred to above, the audit committee approved the audited consolidated financial statements and recommended to the board of directors that they be included in Rockwood's Annual Report on Form 10-K for the year ended December 31, 2006 for filing with the

Securities and Exchange Commission. The audit committee has also selected Deloitte & Touche as Rockwood's independent registered public accounting firm and are presenting the selection to the stockholders for ratification.

AUDIT COMMITTEE

Douglas L. Maine, Chairperson

Sheldon R. Erikson

Cynthia A. Niekamp

The preceding audit committee report is provided only for the purpose of this proxy statement. This report shall not be incorporated, in whole or in part, in any other Rockwood filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

***Compensation Committee***

Our compensation committee currently consists of Brian F. Carroll, Sheldon R. Erikson, Todd A. Fisher and Susan Schnabel. Mr. Fisher is the chairperson and Mr. Erikson is the only independent director on the committee, as permitted by the "controlled company" exception.

Our compensation committee is responsible for (1) reviewing key employee compensation policies, plans and programs, (2) reviewing and approving the compensation of our chief executive officer and executive officers, (3) reviewing and recommending to the board of directors the compensation of our directors, (4) reviewing and approving employment contracts and other similar arrangements between us and our chief executive officer and executive officers, (5) reviewing and consulting with the chairman and chief executive officer on the selection of officers and evaluation of executive performance and other related matters, (6) administration of equity plans and other incentive compensation plans and (7) such other matters that are specifically delegated to the compensation committee by the board of directors from time to time.

Our compensation committee is required to meet at least two times annually, or more frequently, as circumstances dictate. Our compensation committee met five times in 2006.

Our board of directors has adopted a written charter for the compensation committee which is available on our website at www.rocksp.com in the "Investor Relations  Corporate Governance" section, and upon written request by our stockholders at no cost.

***Compensation Committee Report***

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on its review and discussion with management, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

COMPENSATION COMMITTEE

Todd A. Fisher, Chairperson

Brian F. Carroll

Sheldon R. Erikson

Susan Schnabel

***Compensation Committee Interlocks and Insider Participation***

The compensation levels of our executive officers are currently determined by the compensation committee as described in this proxy statement. None of our executive officers has served as a director or member of the compensation committee, or other committee serving an equivalent function, of any entity of which an executive officer is expected to serve as a member of our compensation committee.

***Corporate Governance and Nominating Committee***

Our corporate governance and nominating committee currently consists of Brian F. Carroll, Sheldon R. Erikson, Todd A. Fisher, and Susan Schnabel. Mr. Erikson is the chairperson and the only independent director on the committee, as permitted by the "controlled company" exception.

The corporate governance and nominating committee is responsible for (1) developing corporate governance guidelines, (2) developing and recommending criteria for selecting new directors, (3) overseeing evaluations of the board of directors and its members, (4) screening and recommending to the board of directors individuals qualified to become executive officers, (5) administering our related party transactions policy, and (6) handling such other matters that are specifically delegated to the corporate governance and nominating committee by the board of directors from time to time.

In nominating candidates to serve as directors, the board of directors' objective, with the assistance of the corporate governance and nominating committee, is to select individuals with skills and experience that can be of assistance to management in operating our business. When evaluating the recommendations of the corporate governance and nominating committee, the board of directors should consider whether individual directors possess the following personal characteristics: integrity, accountability, informed judgment, financial literacy, mature confidence and high performance standards. The board of directors as a whole should possess all of the following core competencies, with each candidate contributing knowledge, experience and skills in at least one domain: accounting and finance, global business judgment, senior management expertise, industry knowledge, leadership and strategy/vision. For a description of the procedures for stockholders to submit proposals regarding director nominations, see "Stockholder Director Nominations" below.

Our corporate governance and nominating committee is required to meet at least two times annually, or more frequently as circumstances dictate. Our corporate governance and nominating committee met two times in 2006.

Our board of directors has adopted a written charter for the corporate governance and nominating committee which is available at our website at www.rocksp.com in the "Investor Relations  Corporate Governance" section, and upon written request by our stockholders at no cost.

***Presiding Director of Non-Management Executive Sessions***

The board of directors has determined that at each executive session of non-management members of the board of directors, the non-management members in attendance will determine by majority vote which member will preside at such session.

***Corporate Governance Guidelines***

The board of directors has adopted Corporate Governance Guidelines which set forth the board of directors' core principles of corporate governance and are designed to promote its effective functioning and assist the board of directors in fulfilling its responsibilities. The board of directors will review and amend these guidelines from time to time as it deems necessary and appropriate. The Corporate Governance Guidelines are available on our website at www.rocksp.com in the "Investor Relations  Corporate Governance" section, and upon written request by our stockholders at no cost.

***Codes of Business Conduct and Ethics***

We are committed to conducting business in accordance with the highest ethical standards and all applicable laws, rules and regulations. We have adopted a Code of Business Conduct and Ethics that applies to our employees, executive officers and directors. In addition, we have adopted a Code of Ethics For Executive Officers and Financial Officers that applies to our executive officers and our financial officers. We intend to post amendments to or waivers from the Code or Business Conduct and Ethics and Code of Ethics for Executive Officers and Financial Officers on our website at www.rocksp.com. Both codes are available on our website at www.rocksp.com, in the "Investor Relations  Codes of Conduct" section, and upon written request by our stockholders at no cost.

***Director Candidate Recommendations by Stockholders***

The corporate governance and nominating committee has adopted policies and procedures for director candidate recommendations by stockholders. Acceptance of a recommendation does not imply, however, that the committee will nominate the recommended candidate.

Each recommendation should be accompanied by certain information relating to the stockholder making such recommendation, as well as information concerning the recommended candidate, including the name, address and relevant qualifications of the recommended candidate. A stockholder that wishes to recommend a candidate for election to the board of directors should complete and submit a director recommendation form (which is attached as an exhibit to the policies and procedures for candidate recommendations by stockholders) and submit it to the corporate governance and nominating committee:

By mail:

Stockholder Director Recommendation
Corporate Governance and Nominating Committee
c/o: Senior Vice President, Law & Administration
Rockwood Holdings, Inc.
100 Overlook Center
Princeton, NJ 08540

By fax:

(609) 514-8722

Stockholders who are recommending candidates for nomination in connection with the next annual meeting of stockholders should submit their completed director recommendation forms no later than March 1 of the year of that meeting.

A copy of these policies and procedures is available on our website at www.rocksp.com in the "Investor Relations  Corporate Governance" section, and upon written request by our stockholders at no cost.

***Stockholder and Interested Party Communications with the Board of Directors***

The corporate governance and nominating committee has adopted procedures for stockholders and other interested parties to communicate with Rockwood's board of directors. Stockholders and other interested parties may communicate with (i) the board of directors as a whole, (ii) the independent directors as a group, (iii) when appointed, the presiding director of executive sessions of non-management directors, (iv) any other individual member of the board of directors, or (v) any committee of the board of directors by submitting those communications to the appropriate person or group:

By mail:

Communication to the Board of Directors
[Name of Appropriate Person or Group]
c/o: Senior Vice President, Law & Administration
Rockwood Holdings, Inc.
100 Overlook Center
Princeton, NJ 08540

By fax:

(609) 514-8722

All appropriate stockholder and interested party communications received by the Senior Vice President, Law & Administration will be forwarded to the appropriate person or group. Inappropriate communications include those not related to the duties or responsibilities of the board of directors. In addition, the receipt of any accounting, internal controls or audit-related complaints or concerns will be forwarded to the audit committee.

A copy of these procedures is available on our website at www.rocksp.com in the "Investor Relations Corporate Governance" section, and upon written request by our stockholders at no cost.

## AUDIT AND RELATED FEES

The following table summarizes aggregate fees billed to us by Deloitte & Touche LLP for the fiscal years ended December 31, 2006 and 2005, with the following notes explaining the services underlying the table captions:

| | 2006 | 2005 |
|---|---|---|
| | (millions) | |
| Audit fees(1) | $ 10.2 | $ 5.4 |
| Audit-related fees(2) | 2.1 | 1.7 |
| Tax fees(3) | 0.8 | 1.3 |
| All other fees(4) | 0.4 | |
| Total | $ 13.5 | $ 8.4 |

(1) Includes fees for the audit of our annual consolidated financial statements, audits required by federal regulatory bodies, review of the consolidated financial statements included in our Form 10-Qs, various services in connection with other SEC filings, comfort letters, and foreign subsidiary statutory audits.

(2) Includes fees for services related to due diligence reviews of potential and consummated mergers, acquisitions and dispositions, as well as advisory services in connection with Section 404 of the Sarbanes-Oxley Act.

(3) Includes fees for services related to tax compliance, including preparation of U.S. and foreign tax returns, responses to tax authorities and assistance on tax appeals and audits; tax planning and advice, including potential and completed restructuring of existing organizations and advice related to tax structuring for mergers, acquisitions and divestitures.

(4)
Includes fees related to services provided in connection with benefit plans of acquired companies.

For additional information, please see "Audit Committee" beginning on page 7.

## EXECUTIVE OFFICERS

In addition to Seifi Ghasemi, Rockwood's chairman and chief executive officer, whose biography is included on page 4, Rockwood also has the following executive officers that are not directors.

**Robert J. Zatta (57)** has been Senior Vice President and Chief Financial Officer of Rockwood and our indirect subsidiary, Rockwood Specialties Group, Inc., since April 2001. Prior to joining Rockwood, he spent twelve years with the Campbell Soup Company, where he held several significant financial management positions, including his final position as Vice President responsible for Corporate Development and Strategic Planning. Prior to joining Campbell Soup Company in 1990, he worked for General Foods Corporation and Thomas J. Lipton, Inc. Mr. Zatta has a B.S. in Business Administration and a M.B.A. in Finance.

**Thomas J. Riordan (57)** has been Senior Vice President, Law & Administration of Rockwood and Rockwood Specialties Group, Inc. since 2000. Prior to that he was Vice President, Law & Administration of Laporte Inc. since 1992 and joined Laporte in 1989. Mr. Riordan worked for UOP from 1975 to 1989 where he held various positions, most recently Chief Litigation Counsel. Mr. Riordan has a B.A. in Liberal Arts, an M.B.A. and a J.D. He is also admitted to the Illinois Bar, has a New Jersey Limited In-House Counsel License and is a member of the American Bar Association, and has taken part in the Wharton/Laporte Business Program.

## EXECUTIVE COMPENSATION AND RELATED INFORMATION

### *Compensation Discussion and Analysis*

#### *General Philosophy and Objectives*

We compensate our senior management in a manner designed to be competitive with comparable employers and to align management's incentives with the interests of our stockholders. The objectives of Rockwood's executive compensation program are to attract, motivate and retain highly qualified and talented professionals while supporting our vision of creating a dynamic company which delivers value and growth. To achieve these objectives, our senior management compensation is comprised of three main components: cash compensation through salaries, variable annual cash compensation through our Short-Term Incentive Plan, and long-term equity compensation through our 2005 Amended and Restated Stock Purchase and Option Plan. We also provide our named executive officers with certain executive benefits, such as participation in a defined contribution 401(k) plan and a supplemental savings plan, and, in certain circumstances, a discretionary bonus based upon individual performance in furtherance of our long-term business plan.

Our compensation structure is designed to allocate between short-term and long-term compensation by tying such compensation to our short-term and long-term performance. Our short-term compensation includes currently paid out compensation in the form of base salary and a cash bonus tied to Rockwood's financial performance, while we provide long-term compensation through equity ownership and options that vest, in part, based on the executive's length of service to Rockwood and, in part, based upon Rockwood's financial performance. We believe that this philosophy both aligns the interests of senior management with stockholders by tying compensation to Rockwood's performance and provides an incentive for our senior management to remain with the Company.

In 2006, our compensation committee retained Mercer Human Resource Consulting, an internationally recognized human resources consultant, to assist the compensation committee in evaluating the compensation of our executive officers and certain key employees and to benchmark our compensation program against other companies in our industry and related industries. Based on this evaluation, the compensation committee set the primary components of compensation for our chairman and chief executive officer. For compensation decisions related to our other named executive officers, our compensation committee typically considers recommendations from the chairman and chief executive officer.

*Base Salaries*

Base salaries are set at levels designed to be competitive in the labor markets in which we compete for talented senior executives. The compensation committee annually reviews the performance of our executive officers, including our chairman and chief executive officer, based on quantitative and qualitative criteria as well as comparisons to independent survey data and establishes appropriate increases in base salary compensation. Our chairman and chief executive officer participates in the evaluation of our senior management and makes recommendations to the compensation committee regarding changes in the base salaries of our senior executives. Factors considered in setting base salary of our executive officers (including material increases or decreases thereto) include our financial performance, the performance of the named executive officer and the salaries of senior executives at other companies in our industry. For 2006, base salaries earned amounted to $1,250,000, or approximately 30.2% of Mr. Ghasemi's total compensation, $445,000, or approximately 37.1% of Mr. Zatta's total compensation, and $358,750, or approximately 34.9% of Mr. Riordan's total compensation.

*Short-Term Incentive Plan for Rockwood Holdings, Inc. and Subsidiaries*

Awards under the Short-Term Incentive Plan are designed to provide our senior executives, as well as our key employees, the opportunity to achieve cash bonus awards based on predetermined quantitative performance of Rockwood or performance of the business units for which they are responsible. The compensation committee sets the performance criteria based on the consolidated or relevant business unit annual budgets at constant exchange rates that are approved by the board of directors. The performance criteria for our named executive officers and our business units for 2006 relates to adjusted earnings before interest, tax, depreciation and amortization ("Adjusted EBITDA") and net working capital as a percentage of net sales, with Adjusted EBITDA and net working capital representing 80% and 20%, respectively, of an individual's target rate. Adjusted EBITDA, as more fully described in Rockwood's Form 10-K for the fiscal year ending December 31, 2006, is an important financial measure to us because our senior secured credit agreement and indentures governing our senior subordinated notes contain financial covenants that are determined based on Adjusted EBITDA. In addition, we believe that Adjusted EBITDA is the key financial measure to assess our operating performance because it excludes items that have been deemed by management to have little or no bearing on our day-to-day operating performance, and is therefore helpful in highlighting trends in our overall business. We rewarded decreases in net working capital as part of our bonus criteria because of its impact on cash flow. The performance targets for our named executive officers for 2006, upon which their bonuses were based, were as follows:

| | |
|---|---|
| Adjusted EBITDA: | $614.9 million |
| Net Working Capital as a Percentage of Net Sales: | 16.3% |

For 2006, the target bonus for our chairman and chief executive officer was 150% of base salary; while the target bonus for each of our senior vice president and chief financial officer and our senior vice president, law & administration was 100% of base salary. For 2007, the performance criteria for awards under the Short-Term Incentive Plan to our named executive officers will be based solely on Adjusted EBITDA. The board of directors believes that due to the significant improvements made by us in reducing net working capital as a percentage of net sales, Adjusted EBITDA provides a more meaningful measure of our performance at this time.

The Short-Term Incentive Plan provides for a range of potential awards to participants, including our named executive officers, both above and below their target bonus based on actual results as compared to budgeted results at budgeted exchange rates. No bonus is awarded for either Adjusted EBITDA or net working capital unless actual results for the applicable year are at least 90% of the target or exceed the prior year's performance, respectively, whichever is higher. However, the failure to meet the threshold for one criteria will not preclude the executive from receiving a bonus under the other (e.g., if Adjusted EBITDA does not reach the threshold, but net working capital does, participants would receive that portion of their bonus for achievement of the net working capital target). The portion of a participant's bonus that is awarded based on net working capital bonuses is capped at two times the target bonus, while the portion based on Adjusted EBITDA may exceed two times the target if actual results are greater than 110% of the Adjusted EBITDA target.

In order to illustrate how our Short-Term Incentive Plan functions, the table below details the hypothetical bonus that would have been awarded to Mr. Ghasemi for 2006 based on varying levels of achievement of the performance criteria.

| Adjusted EBITDA | Net Working Capital | Percent of Targeted Bonus Amount Awarded | | Amount of Bonus ($) | |
|---|---|---|---|---|---|
| % vs. Target | % vs. Target | Adjusted EBITDA | Net Working Capital | Adjusted EBITDA | Net Working Capital |
| Less than 90% of budget, or amounts less than or equal to prior year, whichever is greater | Less than 90% of budget, or amounts less than or equal to prior year, whichever is greater | 0% | 0% | $ 0 | $ 0 |
| 90% of budget, or amounts greater than prior year, whichever is greater | 90% of budget, or amounts greater than prior year, whichever is greater | 50% | 50% | $ 750,000 | $ 187,500 |
| 100% of budget | 100% of budget | 100% | 100% | $ 1,500,000 | $ 375,000 |
| 110% of budget | 110% of budget | 200% | 200% | $ 3,000,000 | $ 750,000 |

Our Short-Term Incentive Plan payments are typically made in March following the year of performance after our audited financial statements for such year are filed with the SEC, and our payments to the chairman and chief executive officer and our other executive officers are reviewed and approved by the compensation committee. The compensation committee has approved the bonus awards under the Short-Term Incentive Plan for 2006, which reflect Rockwood having exceeded the performance criteria described above. As a result, the bonuses awarded to the named executive officers are slightly greater than their target awards. For 2006, bonus awards under our Short-Term Incentive Plan accounted for $2,221,533, or approximately 53.5% of Mr. Ghasemi's total compensation, $533,168, or approximately 44.4% of Mr. Zatta's total compensation, and $432,459, or approximately 42.1% of Mr. Riordan's total compensation.

*Discretionary Bonuses*

Our board of directors may, in some cases, award cash bonuses to our named executive officers in recognition of their individual qualitative performances that support Rockwood's overall goals and strategy. In March 2007, the board of directors awarded each of Mr. Zatta and Mr. Riordan discretionary bonuses of $60,000 for their individual qualitative performance in 2006. Mr. Ghasemi did not receive a discretionary bonus for service related to 2006. For 2006, discretionary bonus awards accounted for $60,000, or approximately 5.0% of Mr. Zatta's total compensation, and $60,000, or approximately 5.8% of Mr. Riordan's total compensation.

*Long-Term Equity Compensation*

Owning an equity interest is a fundamental part of our compensation philosophy and furthers the goal of aligning management's interests with the interests of stockholders. In addition, our long-term equity compensation is designed to provide our executive officers and key employees with an incentive to remain employed with Rockwood, which in turn, provides stability in key leadership roles. Our chairman and chief executive officer, executive officers, and certain key employees own shares of our common stock, pursuant to the 2001 and 2004 management equity programs. These equity programs were created in connection with two major events in Rockwood's corporate history: (i) the formation of Rockwood in connection with the November 2000 acquisition of certain assets, stock and business from Laporte plc, and (ii) Rockwood's July 2004 acquisition of four businesses of Dynamit Nobel from mg technologies ag and MG North America Holdings, Inc.

The number of shares of common stock each employee was permitted to purchase was based upon a review of each participant's performance, position and contribution or potential contribution to Rockwood. In addition, those persons were granted options under the 2005 Amended and Restated Stock Purchase and Option Plan, the number of which is a common multiple of the number of shares of common stock purchased. Therefore, the Plan is designed to award the most options to those participants that we feel provide the most value to Rockwood. Our board of directors has approved all purchases of common stock by our executive officers and the corresponding equity grants made pursuant to the 2005 Amended and Restated Stock Purchase and Option Plan.

The options are typically granted as follows: 50% vest and become exercisable over the passage of time and 50% vest and become exercisable upon the achievement of certain pre-established quantitative financial performance targets, both in installments over a five-year period from the grant date. If, however, the performance-based options do not vest based upon attaining the relevant pre-established annual targets, the performance-based options will vest on the eighth anniversary of the grant date. Our named executive officers and certain key employees' performance targets are based upon net equity values, which are generally calculated as Adjusted EBITDA times a multiple less net debt; performance targets for others are based on a particular business units' Adjusted EBITDA. The performance targets are set by the board of directors and are adjusted as a result of certain extraordinary events, such as the sale or acquisition of a business.

Although option grants are an important component of our overall senior management compensation, we have not granted stock options (excluding grants to independent directors) without an accompanying purchase of Rockwood common stock and we do not presently utilize stock option grants as part of our annual compensation. We did grant Mr. Ghasemi 68,452 restricted stock units (all of which have now vested) in connection with his original employment agreement and his purchase of shares of our common stock. Although we do not require that our senior management own our common stock, all of our named executive officers have purchased common stock and therefore were granted stock options. As of the record date of April 5, 2007, Mr. Ghasemi owned 261,354 shares of our common stock (including 68,452 restricted stock units) and options to purchase 932,645 shares of our common stock (684,511 of which are vested); Mr. Zatta owned 43,566 shares of our common stock and options to purchase 205,353 shares of our common stock (143,612 of which are vested); and Mr. Riordan owned 51,338 shares of our common stock and options to purchase 239,578 shares of our common stock (164,284 of which are vested). We believe that the common stock and options held by our senior management significantly align their interests with those of our shareholders without the present need to supplement those grants.

No options were granted to any named executive officers in 2006 and therefore do not account for any portion of their 2006 compensation. However, we expect to grant additional stock options or restricted shares to our named executive officers in the future to remain competitive in the market for executive talent.

*Option Grants and Procedures*

All option grants made under the 2005 Amended and Restated Stock Purchase and Option Plan to date have been made in the form of qualified and non-qualified stock options at exercise prices equal to the fair market value of our common stock at the grant date. All options granted after completion of our initial public offering have been made with an exercise price equal to the closing price of our common stock on the New York Stock Exchange on the grant date.

Any future equity grants will be made pursuant to the Policies and Procedures of the Compensation Committee with Respect to Equity Grants. Under the Policies, the compensation committee has established a pre-determined schedule for option grants during certain periods which correspond to "window periods" under our Securities Trading Policy. These window periods begin at the opening of business on the third trading day on the New York Stock Exchange after the day on which we make a public news release of our quarterly earnings for the prior fiscal quarter, and close on the earlier of (i) 30 calendar days thereafter, or (ii) 60 calendar days after the end of the prior fiscal quarter. The exercise price of any stock option must equal the fair market value of our common stock on the date of grant, which will generally be the last day of a window period. For stock option grants to newly-hired employees, the compensation committee intends to authorize any such stock option grants at its next meeting following the date of such employee's hiring, and in no event shall a stock option be granted prior to the date of the new hire commencing employment with Rockwood. Stock options will not be granted to any recipient if, at the time the grant would be made, the recipient, or any member of the compensation committee, or any senior executive officer to whom option granting authority has been granted, is in possession of material non-public information about Rockwood.

*Executive Benefits and Perquisites*

We provide the opportunity for our named executive officers and other executives to receive specified perquisites and general health and welfare benefits. We provide these benefits as an additional incentive for our senior management and to remain competitive in the general marketplace for executive talent.

Our named executive officers participate in our retirement plans, which include: (i) a defined contribution 401(k) plan, in which we match 50% of an employee's contribution up to a maximum contribution of 3%; (ii) a profit-sharing plan, in which we annually contribute to each officer's account a discretionary amount (which is the same for all employees participating in the plan) between 0%-4% of such officer's base salary and bonus; and (iii) a money purchase plan, in which we currently contribute to each officer's account 3% of such person's base salary and bonus, in each case subject to the Internal Revenue Service's annual compensation limit. We also offer Mr. Riordan and Mr. Zatta, along with certain other key employees, participation in a supplemental savings plan in which the participants can defer up to 20% of their annual compensation (base salary and bonus) and in which we match 50% of an employee's contribution up to a maximum contribution of 3% of such person's annual compensation. We also make monthly payments to Mr. Ghasemi in the amount of $48,000 as a supplemental pension benefit pursuant to the terms of his employment agreement.

Our named executive officers are also entitled to participate in our health and welfare programs. For our named executive officers, in addition to the plans offered to all employees, we provide an executive medical plan which pays for expenses not covered by our standard health plans. The named executive officers also participate in company-wide life insurance plans, with the Company providing an additional insurance policy for Mr. Ghasemi. In addition, we provide an auto allowance for our named executive officers. For 2006, these perquisites and other personal benefits accounted for $678,015, or approximately 16.3% of total compensation for Mr. Ghasemi, $145,660, or approximately 12.1% of total compensation for Mr. Zatta, and $117,951, or approximately 11.5% of total compensation for Mr. Riordan.

*Severance Payments*

We believe that it is important to provide reasonable severance benefits to senior management both to remain competitive within our industry and in acknowledgement that it may be difficult for these employees to find comparable positions in a short amount of time. Each member of our senior management is entitled to severance payments in the event that he is terminated by us without "cause" or if he terminates employment with Rockwood for "good reason," as defined in their respective employment agreements. For additional information, please also see "Severance Payments" beginning on page 24.

*Compensation Review*

In order to insure that our senior management's compensation is competitive within our industry, Rockwood's executive compensation program is reviewed and approved by the compensation committee on an annual basis. The compensation committee has retained Mercer Human Resource Consulting, an internationally recognized human resources consultant, to provide advisory services in connection with reviewing its compensation program, including the compensation of our chairman and chief executive officer, executive officers and key employees. Our consultant provided data that reflects the compensation practices for public companies of comparable business character and size, including companies in the chemical industry, to assist the compensation committee's review. Companies used in the chemical industry group include many of those used in the S&P Supercomposite Specialty Chemicals Index used in the performance graph included in our annual report on Form 10-K. In addition, the compensation committee considered published compensation survey data provided by our consultants for similar executive job descriptions.

*Internal Revenue Code Section 162(m)*

Section 162(m) of the Internal Revenue Code generally allows a deduction to publicly traded companies for particular qualifying performance based compensation. Section 162(m) disallows a deduction to the extent particular non-performance based compensation over $1 million paid to the chief executive officer or any of the four other most highly compensated executive officers. Because Rockwood became publicly traded in 2005, Rockwood believes that its Short-Term Incentive Plan is exempt from Section 162(m) until its 2009 annual stockholders meeting under relief provided to companies that become publicly held in connection with an initial public offering. In addition, Rockwood believes the Short-Term Incentive Plan satisfies the requirements for exemption under Internal Revenue Code Section 162(m) as a performance based plan. To maintain flexibility in compensating executive officers in a manner consistent with its goals, the compensation committee has not adopted a policy that all compensation must be deductible. The compensation committee will continue to monitor this matter.

***Summary Compensation Table***

The following table provides summary information concerning compensation paid or accrued by us to or on behalf of our named executive officers at December 31, 2006, for services rendered to us during the fiscal year.

| Name and Principal Position | Year | Salary ($) | Bonus ($) | Stock Awards ($) | Option Awards ($) | Non-Equity Incentive Plan Compensation ($) | Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|---|---|
| Seifi Ghasemi, Chairman and Chief Executive Officer | 2006 | $ 1,250,000 | | | | $ 2,221,533(2) | | $ 678,015(4) | $ 4,149,548 |
| Robert J. Zatta, Senior Vice President and Chief Financial Officer | 2006 | $ 445,000 | $ 60,000(1) | | | $ 533,168(2) | $ 16,789(3) | | |