

Top news German company looking to create global platform for catalysts after Ford leaves it high and dry

BASF launches hostile \$4.9bn bid for Engelhard

BY JULIE BRESNICK & PHIL BURGERT

■ LONDON & CHICAGO — BASF AG is making an all-cash, hostile bid to buy the shares of Engelhard Corp for \$4.9 billion after the New Jersey catalyst and surface finishing supplier refused to continue discussions of a proposed combination, the German chemical company said.

The acquisition and combination of research and development activities of the two companies would create "a unique global technology platform for catalysts and open up further growth and innovation potential", said Ludwigshafen-based BASF.

The bid comes only a month after Ford Motor designated Engelhard one of three preferred suppliers of catalysts, precious metals and special materials and left BASF out of the running in its global supply network. The other two suppliers named by Ford were Johnson Matthey in London and Umicore in Brussels.

BASF will launch a tender offer to purchase all of the outstanding shares of Engelhard for \$37 per

share, it said. Executives noted that represented a premium of more than 20 percent to Engelhard's closing price of \$30.15 per share at the end of the year and a premium to the New Jersey company's four-year high closing price of \$32.49 on July 14 2004.

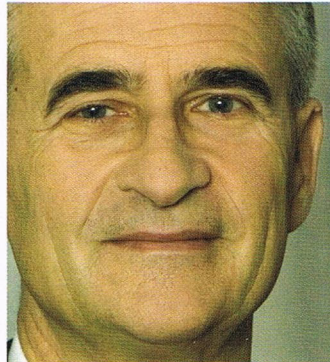
BASF will maintain the metals trading units of Engelhard if its bid succeeds.

The German chemical giant said the businesses, which form part of Engelhard's Material Services unit, will bolster the expanded company.

"Engelhard's metals trading business will ensure the procurement and supply of precious and base metals to strengthen the combined operations," a spokesman said.

He described Engelhard's base metals trading business as "well established" and "well respected". The precious metals trading business meanwhile helps secure supply of precious metals that it considers "critical" for its business.

The Material Services division posted sales in 2004 of \$1.9 billion,



Hambrecht: 'compelling opportunity for Engelhard shareholders'

representing almost half of Engelhard's total sales for the year.

Its base metals desk is a category II member of the London Metal Exchange, where its trading helps the company maintain competitive prices, an Engelhard spokesman said.

The company also trades heavily in precious metals, a key ingredient in the manufacturing of many catalysts.

Catalysts and fuel cells have

become innovative technologies, but Engelhard has a long and colourful history stretching back to the start of the last century. Charles Engelhard, former chief executive and son of the founder, was said to have been the inspiration for Goldfinger, one of the most notorious of James Bond villains.

BASF executives said they anticipate no significant regulatory hurdles to completing the transaction. "We believe that our all-cash proposal provides a compelling opportunity to achieve significant value for Engelhard shareholders," said Jürgen Hambrecht, chairman of BASF executive board.

BASF was still prepared to meet with Engelhard on the bid and would increase the bid by \$1 per share if Engelhard disclosed proprietary information that supported a higher valuation, the executives added.

Engelhard is currently considering its next move after it initially rebuffed BASF's invitation for friendly negotiations.