

Rockwood Holdings, Inc.
Form DEF 14A
April 26, 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 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
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- Definitive Proxy Statement
- Definitive Additional Materials
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ROCKWOOD HOLDINGS, INC.
(Name of Registrant as Specified In Its Charter)

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

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 - (3) Filing Party:
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ROCKWOOD HOLDINGS, INC.

100 Overlook Center

Princeton, New Jersey 08540

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 24, 2006

April 26, 2006

To our stockholders:

On behalf of your board of directors, we are pleased to invite you to attend the 2006 annual meeting of stockholders of Rockwood Holdings, Inc. The meeting will be held on Wednesday, May 24, 2006 at 9:00 a.m., local time, at the Hyatt Regency Princeton, 102 Carnegie Center, Princeton, New Jersey 08540.

At the meeting, you will be asked to:

- (1) Elect three Class I 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, 2006; and
- (3) Transact any other business properly brought before the meeting.

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Stockholders of record as of the close of business on April 13, 2006 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

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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 24, 2006

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 2006 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 the Hyatt Regency Princeton, 102 Carnegie Center, Princeton, New Jersey 08540, on Wednesday, May 24, 2006 at 9:00 a.m. local time. This proxy statement is first being mailed to stockholders on or about April 26, 2006.

Stockholders Entitled to Vote

The record date for the annual meeting is April 13, 2006. 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 13, 2006, there were 73,780,526 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.

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As of April 13, 2006, 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. As a result, we are assured a quorum at the annual meeting, the election of the Class I 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 I 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, 2006.

You may find information about this proposal beginning on Page 5.

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.

PROPOSAL 3. 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 I 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, 2006. 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. At the date this proxy statement went to press, 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 2007 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. In the event that the date of the 2007 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 2007 annual meeting and not later than the close of business on the later of the 90th day prior to the 2007 annual meeting or the 10th day following the day on which public announcement of the date of the 2007 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 I directors to serve until their successors are duly elected and qualified.

General Information

The board of directors currently consists of nine directors and is divided into three classes of equal size - Class I, Class II and Class III. 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 I 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 II and Class III directors will expire at the 2007 annual meeting of stockholders and the 2008 annual meeting of stockholders, respectively.

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This year's nominees have been nominated to serve for a three-year term expiring at the 2009 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.

On February 14, 2006, Edward A. Gilhuly resigned from the board of directors in connection with his resignation from KKR. Mr. Gilhuly's term as director was set to expire at the 2006 annual meeting of stockholders. Rockwood's board of directors, upon the recommendation of the corporate governance and nominating committee, filled the vacancy created by Mr. Gilhuly's resignation by appointing a third independent member to the board of directors, Cynthia A. Niekamp, effective March 15, 2006.

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
Cynthia A. Niekamp	46	Director	I
Susan Schnabel	44	Director	I
Fredrik Sjödin	31	Director	I

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, Co-Head of European Leveraged Private Equity in 1998. Ms. Schnabel is a director of DeCrane Aircraft Holdings, Inc. and Environmental Systems Products, Inc. Ms. Schnabel received a B.S. from Cornell University in 1983 and a M.B.A. from Harvard University.

Fredrik Sjödin has been a director of Rockwood since 2003 and an executive of KKR since 2000. Prior to joining KKR, Mr. Sjödin was with Salomon Brothers International Ltd. Mr. Sjödin has an M.Sc. from the Stockholm School of Economics, Sweden and the Leonard N. Stern School of Business, New York University.

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
Seifi Ghasemi	61	Chairman and Chief Executive Officer	II
Brian F. Carroll	34	Director	III
Sheldon R. Erikson	64	Director	II
Todd A. Fisher	40	Director	III
Perry Golkin	52	Director	II
Douglas L. Maine	57	Director	III

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.

Brian F. Carroll has been a director of Rockwood since 2000, a member of Kohlberg Kravis Roberts & 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.

Sheldon R. Erikson has been a director of Rockwood since November 10, 2005. Mr. Erikson has been the Chairman of the board of directors of Cooper Cameron Corporation, a global manufacturer, provider and servicer of petroleum equipment, since 1996 and the President and Chief Executive Officer since 1995. He was Chairman of the board of directors 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.

Todd A. Fisher has been a director of Rockwood since 2000, a member of Kohlberg Kravis Roberts & 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 Koninklijke Vendex KBB BV. 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.

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 Kohlberg Kravis Roberts & 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.

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.

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, 2006.

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, 2006. 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.

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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.

PROPOSAL THREE

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 within one year of the effectiveness of the registration statement on Form S-1, which is August 12, 2006. The board of directors has determined that Sheldon R. Erikson, Douglas L. Maine 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 2005, 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 2005, except for former director Edward A. Gilhuly who missed three board of directors meetings due to scheduling conflicts. Sheldon R. Erikson was only eligible to attend one meeting after his appointment to the board of directors in November 2005 but did not do so due to scheduling conflicts.

Audit Committee

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Our audit committee currently consists of Brian F. Carroll, Sheldon R. Erikson, Douglas L. Maine and Cynthia A. Niekamp. Messrs. Erikson and Maine and Ms. Niekamp are independent directors. Mr. Carroll, who is not independent, will step down from the audit committee before August 12, 2006. 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 accountants' 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 managements' 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 2005, 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 nine times in 2005.

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. A copy of our audit committee charter is included as Exhibit A to this proxy statement.

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, 2005 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, 2005 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.

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Douglas L. Maine, *Chairperson*
Brian F. Carroll
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, Todd A. Fisher and Susan Schnabel, none of whom are independent, as permitted by the controlled company exception. Mr. Fisher is the chairperson.

Our compensation committee is responsible for (1) reviewing key employee compensation policies, plans and programs, (2) reviewing and approving the compensation of our executive officers, (3) reviewing and approving employment contracts and other similar arrangements between us and our executive officers, (4) reviewing and consulting with the chief executive officer on the selection of officers and evaluation of executive performance and other related matters, (5) administration of stock plans and other incentive compensation plans and (6) 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 two times in 2005.

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.

Corporate Governance and Nominating Committee

Our corporate governance and nominating committee consists of Brian F. Carroll, Todd A. Fisher and Susan Schnabel, none of whom are independent, 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 and (5) 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, business judgment, management, 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 2005.

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. Both 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

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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 Communications with the Board of Directors

The corporate governance and nominating committee has adopted procedures for stockholders to communicate with Rockwood's board of directors. Any stockholder 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:

Stockholder 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 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.

Director Compensation

We pay each non-management director an annual retainer of \$75,000. In addition, we pay an additional annual retainer of \$25,000 and \$12,500 to the chairman of the audit committee and each member of our audit committee, respectively. We also grant each independent director stock options and may in the future grant restricted stock awards under our 2005 Amended and Restated Stock Purchase and Option Plan. In 2005, we granted options to purchase 12,500 shares of our common stock to each of Messrs. Erikson and Maine at fair market value.

AUDIT AND RELATED FEES

The following table summarizes aggregate fees billed to us by Deloitte & Touche LLP for the fiscal years ended December 31, 2005 and 2004, with the following notes explaining the services underlying the table captions:

	2005	(millions)	2004
Audit fees (1)	\$	5.4	\$ 6.0
Audit-related fees (2)		1.7	8.0
Tax fees (3)		1.3	1.6
All other fees (4)			0.2
Total	\$	8.4	\$ 15.8

(1) Includes fees for the audit of our annual consolidated financial statements, review of the consolidated financial statements included in our Form 10-Qs, various services in connection with other SEC filings, including 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, including the acquisition of the Dynamit Nobel businesses, 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 6.

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 (56) 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 12 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 (56) 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., is 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 Committee Report on Executive Compensation

Compensation Philosophy, Policies and Plans for Executive Officers

The compensation committee operates pursuant to a charter which delegates responsibility for the compensation and benefits of Rockwood's executive officers and other members of senior management to the compensation committee. The compensation committee is primarily responsible for :

establishing and reviewing the overall compensation philosophy of Rockwood,

evaluating the performance of and reviewing and approving the all aspects of compensation of our executive officers and directors,

monitoring, approving and reviewing the cash incentive, deferred compensation, profit sharing, equity based compensation and all other compensation plans and all awards under such plans, and

overseeing compliance with the applicable compensation reporting requirements of the SEC.

Rockwood and its subsidiaries seek to attract and retain highly qualified and talented professionals. The marketplace in which Rockwood competes is highly competitive. Further, our compensation policies, while designed to secure the services of appropriate professionals, must also support our vision of creating a dynamic company, and delivering superior value and growth.

In furtherance of these goals, Rockwood's executive compensation program is reviewed and approved by the compensation committee. The compensation committee has retained 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 reflect 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 this proxy. In addition, the compensation committee considered published compensation survey data provided by our consultants for similar executive job descriptions.

There are three main elements to our senior executive compensation:

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.

Base Salaries

Base salaries are set at levels designed to be competitive in the labor markets in which our senior executives operate. 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 survey data and establishes appropriate increases in base salary 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, performance of the business units for which they are responsible and, in some cases, their individual qualitative performance that support Rockwood's overall goals. The compensation committee sets the performance criteria based on the consolidated or relevant business unit annual budgets that are approved by the board of directors. The current performance criteria set at Rockwood's and business unit level relate to adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA) and net working capital, with Adjusted EBITDA and working capital representing 80% and 20%, respectively of an individual's target rate. Targets rates for our chief executive officer and our other executive officers are set by the compensation committee. For 2005, target rates for the executive officers were 125% of base salary of our chief executive officer; 100% of base salary for our senior vice president and chief financial officer and 100% of base salary for our senior vice president-law & administration. Participants in our Short-Term Incentive Plan, including our named executive officers, have a range of potential awards, both above and below their target rate based on actual results as compared to budgeted results. Our Short-Term Incentive Plan payments are typically made in March following the year of performance and our payments to the chairman and chief executive officer and 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 2005.

Long-Term Equity Compensation

Owning an equity interest is a fundamental part of our compensation philosophy and furthers the goal of aligning management compensation with the interests of stockholders. Our chairman and chief executive officer, executive officers, and certain key employees have ownership in Rockwood's shares, pursuant to the 2001 and 2004 management equity programs. In addition, those persons were granted options under the 2005 Amended and Restated Stock Purchase and Option Plan. The number of shares of common stock such persons were permitted to purchase was based upon a review of each participant's performance and contribution or potential contribution for new hires and the number of options granted is a common multiple of the number of shares of common stock purchased. 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 quantitative performance targets. Our named executive officers and certain key employees' performance targets are based upon net equity values, which is generally calculated as Adjusted EBITDA times a multiple less net debt and others are based on a particular business units' Adjusted EBITDA.

All option grants made under the 2005 Amended and Restated Stock Purchase and Option Plan have been made in the form of qualified and non-qualified stock options at exercise prices equal to the fair market value of Rockwood's common stock at the date of grant. No options were granted to any named executive officer in 2005.

Basis for Chairman and Chief Executive Officer's Compensation

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Seifi Ghasemi's base salary for 2005 was \$1,250,000 and he was awarded a cash bonus under the Short-Term Incentive Plan of \$1,668,823 in March 2005. The compensation package for Mr. Ghasemi is designed primarily with reference to the quantifiable and qualitative annual performance of Rockwood compared to earlier years. Factors include the performance criteria described above as well as Mr. Ghasemi's overall leadership and influence on the performance and strategic direction of Rockwood. Important factors in evaluating Mr. Ghasemi's performance for 2005 include Rockwood's achieving its financial targets set for 2004, successfully completing its initial public offering, which enabled Rockwood to significantly reduce its debt, and integrating the Dynamit Nobel businesses acquired in July 2004 and acquiring the business in our Clay-Additives division in December 2005. The compensation committee concluded that his performance in these areas was attained or exceeded.

Internal Revenue Code Section 162(m)

Section 162(m) of the Internal Revenue Code generally allows a deduction to publicly traded companies for certain qualifying performance based compensation. Section 162(m) disallows a deduction to the extent certain 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 Section 162(m) deduction limits for fiscal 2005 will not be applicable. Rockwood believes its Short-Term Incentive Plan is exempt from Section 162(m) until its 2009 annual stockholder's 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.

Todd A. Fisher, *Chairperson*

Brian F. Carroll

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.

Summary Compensation Table

The following table shows all compensation awarded to, earned by, or paid to our chief executive officer and our other two most highly compensated executive officers at December 31, 2005.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards			
		Salary	Bonus	Other Annual Compensation (1)	Restricted Stock Award(2)	Securities Underlying Options(#)	LTIP Payouts (\$)	All Other Compensation
Seifi Ghasemi	2005	\$ 1,250,000	\$ 1,668,823	\$ 618,318				\$ 35,630(3)
Chairman and Chief Executive Officer	2004	1,150,000	3,207,899	230,736	\$ 277,778			1,120,130(3)
	2003	1,037,500	648,690	46,732	333,335			608,280(3)
Robert J. Zatta	2005	423,750	459,260	35,669				