

Rating Action: [Holcim Ltd](#)

Moody's assigns a Baa1 issuer rating to Holcim; Outlook stable

Frankfurt, May 30, 2008 -- Moody's Investors Service has today assigned a Baa1 issuer and senior unsecured long-term debt rating to Holcim Ltd and the guaranteed issuers under the European Medium Term Note Programme. The outlook for the ratings is stable.

"Holcim's Baa1 rating reflects the company's industry-leading geographical diversification with strong revenue contribution from all continents and a relatively low dependence on its domestic and neighbouring markets in Europe, which only account for 37% of Holcim's turnover, as well as its strong market position in many of these markets" said Matthias Hellstern, lead analyst for Holcim at Moody's.

Holcim's activities are well-spread between the emerging markets of Eastern Europe, Latin America, Africa Middle East and Asia Pacific and the mature countries of Western Europe and North America. Moody's believes that this excellent geographical diversification should mitigate the cyclical nature of the industry and the risks involved with activities in emerging markets, as in the past it has significantly contributed to the relative margin stability of the group.

The stable outlook for the ratings is based on Moody's expectation that, going forward, Holcim will continue to use its free cash flow for further bolt-on acquisitions. It also takes into account that the markets in general will remain stable and that the current weakness in some parts of the North American markets can be compensated by strong performance elsewhere. The rating assignment assumes that Holcim's ratios of Retained Cash Flow/Net Debt will remain at or above the mid twenties (per 12/2007: 31.7%) and operating margins range around 17.5% going forward.

Holcim's operating margin (Financial Year 2007: 18.6%) is above average of its lower rated peers, such as HeidelbergCement (Baa3, 17.1% at FYE 2007) or Lafarge (Baa2, 17.6%). Compared to some of these peers which have been visibly impacted by the cyclical nature in some markets and have suffered from margin volatility, Holcim's margins have demonstrated a strong resilience, benefiting from its established presence in many different geographical markets. The group's key leverage metric (RCF/net debt per 2007 31.7%) has improved since the end of 2005 due to the strong operational performance as well as a capital increase in 2006 and the sale of the majority of its South African subsidiary in 2007. The ratio is now in line with Baa1 rated Ciments Francais, which, given Holcim's superior business profile, positions Holcim well in the Baa1 rating category. Moody's further believes that the strong and stable cash-generation should provide Holcim with sufficient financial flexibility to quickly reduce leverage if the expansion strategy were to be suspended.

However, the rating takes into account Holcim's efforts to remain one of the top players in the industry which typically involves significant debt-financed acquisitions. Moody's has therefore factored into the rating beside Capex to maintain capacities and for expansion of CHF 5 billion in 2008 a yearly acquisition spend of an additional CHF 2 billion. Moody's also has considered the fact that Holcim's activities in India are fully consolidated, although the company only holds 43% of ACC's capital and 46% of Gujarat Ambuja's capital. However, Holcim has a significant capex expansion program in India which can be financed by local cash flows. While the inclusion of the share of EBITDA attributable to external shareholders tends to understate Holcim's leverage ratio, a potential buy-in of third party stakes would increase debt without concomitant additions to cash flow, the assigned Baa1 ratings incorporate possible buyouts of further shares in these two companies only to the extent that they fit into the above mentioned yearly CHF 2 billion acquisitions headroom.

Assignments:

..Issuer: Holcim Capital Corporation

....Multiple Seniority Medium-Term Note Program, Assigned Baa1

..Issuer: Holcim European Finance Ltd.

....Multiple Seniority Medium-Term Note Program, Assigned Baa1

..Issuer: Holcim Finance (Canada) Inc.

...Multiple Seniority Medium-Term Note Program, Assigned Baa1

..Issuer: Holcim Finance (Luxembourg) S.A.

...Multiple Seniority Medium-Term Note Program, Assigned Baa1

..Issuer: Holcim GB Finance Ltd.

...Multiple Seniority Medium-Term Note Program, Assigned Baa1

..Issuer: Holcim Ltd

....Issuer Rating, Assigned Baa1

...Multiple Seniority Medium-Term Note Program, Assigned Baa1

..Issuer: Holcim Overseas Finance Ltd.

...Multiple Seniority Medium-Term Note Program, Assigned Baa1

..Issuer: Holcim US Finance S.a r.l. & Cie S.C.S.

...Multiple Seniority Medium-Term Note Program, Assigned Baa1

Headquartered in Jona/Switzerland, Holcim is one of the worldwide leading producers of cement and aggregates as well as further activities such as ready-mix concrete and asphalt including services. Founded in 1912 in Switzerland, the company today operates in more than 70 countries across all continents and employs a workforce of around 90,000. Its production capacity is 198 million tonnes of cement. Turnover in the financial year 2007 was CHF 27 billion. The largest shareholder in Holcim Ltd is Thomas Schmidheiny with a share of 20.4% as per year-end 2007. Market capitalization as per 27 May 2008 is CHF 26 billion.

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