

**Rating object**

LafargeHolcim Ltd.  
Holcim Finance (Luxembourg) S.A.  
Holcim US S.à r.l. & Cie. S.C.S.  
Long Term Local Currency Senior Unsecured Issues

**Rating incl. outlook / watch**

BBB+ / stable  
BBB+ / stable  
n.r.  
BBB+ / stable

The present rating update is, in the regulatory sense, a public unsolicited rating.

**Date of inception / disclosure to rated entity / maximum validity:**

Rating object	Date of inception	Disclosure to rated entity	Maximum validity
LafargeHolcim Ltd.	14.12.2020	15.12.2020	Withdrawal of the rating
Holcim Finance (Luxembourg) S.A.	14.12.2020	15.12.2020	Withdrawal of the rating
Holcim US S.à r.l. & Cie. S.C.S.	14.12.2020	15.12.2020	
Long Term Local Currency Senior Unsecured Issues	14.12.2020	15.12.2020	Withdrawal of the rating

There occurred no changes after the communication of the rating to the rating object.

**Rating summary:**

Creditreform Rating has confirmed the unsolicited corporate issuer ratings of LafargeHolcim Ltd. (hereinafter also referred to as LafargeHolcim) and Holcim Finance (Luxembourg) S.A., as well as the unsolicited corporate issue ratings of the euro-denominated, long-term senior unsecured Notes issued by these companies – insofar as they are part of the list of ECB-approved marketable assets - at BBB+ in the context of an annual update. The outlook remains stable. The unsolicited corporate issuer rating and the unsolicited corporate issue rating of the euro-denominated, long-term senior unsecured issues of Holcim US Finance S.à r.l. & Cie. S.C.S. have been withdrawn, as to our knowledge these issues no longer exist.

Main reasons for the rating result continue to be the Company's worldwide leading market position in the cement and building materials industry, its geographical diversification, positive (organic) business development in 2019 resulting in an improvement in the outcome of the financial key figures analysis, as well as its sufficient earnings and internal financing power, seen also during the current 2020 financial year, which was heavily burdened by the COVID-19 pandemic. The 2019 financial year was characterized by the first-time application of IFRS 16, implemented fixed cost savings, and in particular the sale of the Company's business operations in Indonesia, Malaysia and Singapore (total sales revenue of CHF 1.3 billion), which, together with an improved operating cash flow, resulted in a significant reduction of financial debt from CHF 15.0 billion (as of January 1, 2019 including IFRS 16) to CHF 10.1 billion. The financial ratio 'net financial debt / recurring EBITDA' used by LafargeHolcim, taking into account the leasing liabilities recognized for the first time in accordance with IFRS 16 (around CHF 1.3 billion), was at a factor of 1.5x. Without taking into account the leasing liabilities, the value was 1.4x (previous year 2.2x). Although sales fell year-on-year from CHF 27.5 billion to CHF 26.7 billion due to the company sell-offs, the Company recorded organic sales growth of 3.1%. The operating result and corresponding margin were improved through price increases and savings in sales overheads. The annual result of CHF 2.5 billion was significantly higher than the previous year's result of CHF 1.7 billion, due to lower restructuring costs, and interest and tax expenses.

In the current 2020 financial year, LafargeHolcim reports a significant decline in sales and earnings against the background of the social and macroeconomic upheavals in the wake of the COVID-19 pandemic. In the first half of 2020, sales fell by 18.1% to CHF 10.7 billion (previous year: CHF 13.1 billion). Despite the launched "Health, Cost & Cash" action plan to reduce costs and maintain liquidity, the recurring EBIT fell disproportionately by 28.4% to CHF 1.2 billion (previous year: CHF 1.7 billion), so that the corresponding margin ( 11.2%) was below the previous year's figure (12.8%). The net profit for the period fell to CHF 0.5 billion (previous year: CHF 1.1 billion). Nevertheless, LafargeHolcim managed to increase its operating cash flow and free cash flow through targeted measures and thus maintain a relatively stable liquidity situation despite the dividend payment of CHF 1.2 billion. With liquidity of CHF 3.7 billion as of June 30, 2020 and its available credit lines, LafargeHolcim had a sufficient available liquidity buffer of approx. 8.0 billion CHF. Against the background of very good access to the capital market and a balanced maturity structure, we assess the financial and liquidity situation overall as solid. In connection with the Company's good market positioning and increasing consideration of sustainability aspects in its strategic course, we see LafargeHolcim fundamentally in a position to achieve stable to positive business development, although this depends significantly on the further course of the COVID-19 pandemic and the countermeasures in the individual countries. Despite operational improvements in the third quarter of 2020, setbacks and negative effects on assets, finances and earnings cannot be ruled out against the background of the COVID-19 pandemic, which continues to develop dynamically. This is currently offset by the company's solid quantitative and qualitative fundamentals showing sufficient financial stability, at least in the short term, which is why the rating and outlook could be confirmed.

We have derived the unsolicited corporate issuer rating of Holcim Finance (Luxembourg) S.A. from the rating of LafargeHolcim Ltd. based on its interrelationship with the parent company in terms of corporate and liability law, as well as its strategic, financial, and economic relationship, setting this equal to that of LafargeHolcim Ltd. (BBB+ / stable). Application of the CRA rating system for corporate issues results in a rating of (BBB+ / stable) for the euro-denominated, long-term senior unsecured issues assessed here.

**Primary key rating drivers:**

- Worldwide leading market position in the building materials industry with sufficient geographic diversification
  - Improved results of the financial ratios analysis for 2019 due to debt reduction, improved earnings, and internal financing strength
  - Successful implementation of the "Health, Cost & Cash" action plan to mitigate the negative effects of the COVID-19 pandemic
  - Sufficiently solid liquidity position in connection with established access to the capital market
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- Significant uncertainty in the wake of the COVID-19 pandemic and the associated volatility with regard to further business development
  - Significant sales and earnings losses as of September 31, 2020 despite the countermeasures implemented and a strong 3rd quarter
  - Negative currency effects and dividend payments put a strain on equity

**ESG-criteria:**

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of LafargeHolcim Ltd. we have not identified any ESG factor with significant influence.

The environmental and climate impact of cement production is, on average, very high in the industry. LafargeHolcim endeavors to utilize existing potential for improvement or to develop such potential in order to reduce emissions. The sustainability strategy pursued by the Company was reinforced by the issue of a sustainability-linked bond in November 2020, and is in line with the United Nations Sustainable Development Goals, which are intended to ensure sustainable development on an economic, ecological and social level. Overall, we see room for improvement at LafargeHolcim with regard to ESG factors, but we do not (as yet) identify any significant impact on the rating. In the future, ESG factors may influence our rating, depending on the achievement of the Company's self-set goals and on regulatory changes.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here:

<https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/The%20Impact%20of%20ESG%20Factors%20on%20Credit%20Ratings.pdf>

**Rating scenarios:**

*Please note: The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.*

Best-case scenario: BBB+

In our best-case scenario for one year, we assume a noticeable economic recovery in the markets relevant for LafargeHolcim, which should lead to a prompt normalization of sales and earnings levels as well as the results of the key financial figure analysis. Any further improvement in the asset, financial and earnings situation above the 2019 level could have a positive effect on the rating, although we consider this to be unlikely against the background of the currently difficult and uncertain market situation.

Worst-case scenario: BBB

In the worst-case scenario, we see a deterioration in the rating to BBB over the course of the year. Such a downgrade would have to be considered in the event of a sustained deterioration in the economic and geopolitical situation in the course of the COVID-19 pandemic, and an associated sustained decline in business development, which would lead to a further deterioration in the Company's current earnings and internal financing power, as well as an increase in debt which would lead to a sustained deterioration in key financial figures. An inappropriate dividend policy or leveraged M&A transactions could also have a negative impact on the rating.

**Analysts / Person approving (PAC):**

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**Initial rating:**

Rating object	Event	Rating created	Publication date	Monitoring until	Result
Corporate Issuer Rating of LafargeHolcim Ltd.	Initial rating	08.05.2019	20.05.2019	13.12.2020	BBB+ / stable
Corporate Issuer Rating of Holcim Finance (Luxembourg) S.A.	Initial rating	08.05.2019	20.05.2019	13.12.2020	BBB+ / stable
Corporate Issuer Rating of Holcim US S.à r.l. & Cie. S.C.S.	Initial rating	08.05.2019	20.05.2019	13.12.2020	BBB+ / stable
LT LC Senior Unsecured Issues Issued by Holcim Finance (Luxembourg) S.A.	Initial rating	08.05.2019	20.05.2019	13.12.2020	BBB+ / stable
LT LC Senior Unsecured Issues Issued by Holcim US S.à r.l. & Cie. S.C.S.	Initial rating	08.05.2019	20.05.2019	13.12.2020	BBB+ / stable

**Status of solicitation and information basis:**

The present rating is, in the regulatory sense, an **unsolicited** rating that is public. The rating object participated in the creation of the rating as follows:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

**Rating methodology / Version / Date of application:**

Rating methodology	Version number	Date	Website
Corporate Ratings	2.3	29.05.2019	<a href="https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Corporate%20Ratings.pdf">https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Corporate%20Ratings.pdf</a>
Non-financial Corporate Issue Ratings	1.0	October 2016	<a href="https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Non-Financial%20Corporate%20Issue%20Ratings.pdf">https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Non-Financial%20Corporate%20Issue%20Ratings.pdf</a>
Rating Criteria and Definitions	1.3	January 2018	<a href="https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/CRAG%20Rating%20Criteria%20and%20Definitions.pdf">https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/CRAG%20Rating%20Criteria%20and%20Definitions.pdf</a>

## **Regulatory requirements:**

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

## **Conflict of interests**

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

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To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

### Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

### Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

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