

**Rating Action: [Rockwood Specialties Group, Inc.](#)**

**Moody's moves Rockwood's outlook to positive**

**Proposed amended senior credit facilities rated Ba2**

New York, June 02, 2009 -- Moody's Investors Service affirmed the debt ratings of Rockwood Specialties Group, Inc. (Rockwood -- Corporate Family Rating B1 CFR) and revised the ratings outlook to positive from stable. Moody's also assigned Ba2 ratings to Rockwood's proposed amended senior secured credit facilities including its revolver and term loan facilities (see list below). Among other changes the amendment is designed to relax a leverage covenant and extend maturities by two years.

This rating action reflects both the stable operating performance and the prospect for further meaningful debt repayment. The change to a positive rating outlook incorporates our anticipation that major additional debt financed acquisitions are unlikely, and that Rockwood's remaining business lines will generate, over time, cash flow that is positive and improving relative to existing debt levels. The rating on the proposed amended facilities assumes that they are closed under the proposed terms as presented to us and we will monitor the transaction and review the closing documents.

"The positive outlook reflects our assumption that excess free cash flow is likely to be used for debt reduction and that these proposed timely amendments to the senior credit facilities will, if approved, be a credit positive and improve liquidity." said Moody's analyst Bill Reed.

**Ratings Assigned:**

..Issuer: Rockwood Specialties Group, Inc.

.... Proposed Amended Senior Secured Bank Credit Facility, Ba2 - LGD2 29%

**Outlook Actions:**

..Issuer: Rockwood Specialties Group, Inc.

....Outlook, Changed To Positive From Stable

**LGD adjustments**

.... Existing Senior Secured Bank Credit Facility, Ba2 - LGD2 29% from LGD2 27%

.... Senior Unsecured Subordinated Bonds, B3 - LGD5 89% from LGD5 81%

The B1 CFR is supported by Rockwood's size, various leading market positions, and its diversity of products, end markets, and customer base. The top ten customers account for approximately 8% of net sales (while no single customer accounts for more than 2% of sales) and the largest end-use market represent approximately 17% of net sales. Additionally, we take comfort in Rockwood's limited exposure to volatile petrochemical and energy costs as well as its broad base of raw materials in which no single material contributes more than 1.7% to cost of goods sold. Moody's also recognizes that management successfully remediated the material weaknesses in its internal control over financial reporting relating to issues in 2004, 2005 and 2006. We view this as a positive development, as the material weaknesses had been viewed as a significant negative to Rockwood's credit profile.

In addition, while Rockwood is a public company we note that 30% of the equity is held by the initial LBO sponsor, with an additional 9% of the equity held by another private equity firm, and management controls an additional 6% of the outstanding shares resulting in substantial influence over the election of future board directors and company policies, notwithstanding, the presence of only two sponsor representatives on the seven person board of directors. A final concern centers on the existing leverage covenant in the senior secured credit facilities. In the event that the proposed amendment is not completed, we anticipate that the room under this covenant could become tight over the next eight quarters and possibly result in negative pressure on the outlook or rating.

Moody's most recent announcement concerning the ratings for Rockwood was on December 8, 2006 when the B1 CFR was affirmed and the outlook was moved to stable from negative.

The principal methodology used in rating Rockwood was Moody's Global Chemical Industry rating methodology, which can be found at [www.moody.com](http://www.moody.com) in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory (February, 2006, document #96180). Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Credit Policy & Methodologies directory.

Rockwood Specialties Group, Inc., headquartered in Princeton, New Jersey, is a global producer of a variety of specialty chemicals and materials, including pigments, additives, specialty compounds, ceramics, and electronics for use in businesses ranging from life sciences to automotive manufacturing. Rockwood operates through the following three business sectors: Specialty Chemicals, Pigments and Additives, and Advanced Materials. Revenues were \$3.2 billion for the LTM ended March 31, 2009.

New York  
William Reed  
VP - Senior Credit Officer  
Corporate Finance Group  
Moody's Investors Service  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

New York  
Steven Wood  
Senior Vice President  
Corporate Finance Group  
Moody's Investors Service  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

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