Corporate Finance
Latin America
Special Report

Latin America Corporate Sector Outlook

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Executive Summary

Fitch Ratings projects GDP to decline in Latin America by 2.5% during 2009 before recovering modestly to a 1.9% growth rate during 2010. The hardest hit economy in the region has been Mexico, whose 2009 GDP is projected to decline by 5.5%. Almost every corporate rated by Fitch in the region has been negatively affected by the economic crisis due to lower cash flows and decreased access to capital.

This report takes a detailed look at the performance of 11 different industries within Latin America during the first half of 2009 and provides Fitch's outlook for each sector during the second half of the year. It also addresses both industry and company specific credit risks. The Latin American sectors that Fitch expects to perform extremely poorly during 2009 are diversified manufacturing, metals and mining, transportation, and pulp, paper and forest products. Corporates within the telecommunications, electricity and beverage sectors are best positioned to weather the storm from a cash flow perspective. Certain sectors, such as homebuilding and agriculture, will benefit from government support.

The credit implications will be dramatically different for the Latin American corporates within the sectors that are projected to struggle. Metals and mining companies will see their profitability fall sharply, but are poised to grow given their strong capital structures. A select group of companies within the pulp, paper and forest products sector could also thrive during the downturn due to their access to capital markets and their globally competitive cost structures. In contrast, the next six months will be extremely painful for transportation companies as they face the additional pressure that is being placed on their passenger volumes by the H1N1 virus. The outlook for the diversified manufacturing companies also appears dismal during 2009 and will remain depressed into 2010 due to the weakness of their key export market, the United States.

Median Measures by Sector

	Interest Coverage				Leverage				Liquidity	
	FFO Interest Coverage		EBITDA/Interest Expense		Total Debt/EBITDA		Total Net Debt/ EBITDA		Cash + FFO/Short-Term Debt	
Market Sector	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Building Materials	3.2	5.0	3.8	4.7	3.6	3.9	3.0	2.2	2.0	3.5
Diversified Manufacturing	2.4	3.4	3.9	3.0	3.1	3.4	2.8	3.0	0.4	4.0
Electric-Corporate	3.9	3.6	4.4	4.2	2.7	3.2	2.0	2.5	4.2	4.2
Food and Beverage	6.6	4.7	6.3	4.5	2.1	2.6	1.8	1.5	2.2	3.4
Homebuilders	4.1	4.5	3.1	4.5	4.1	2.6	2.1	0.7	2.2	6.3
Media and Entertainment	6.6	5.8	5.8	5.0	1.9	2.2	0.9	1.3	31.7	13.9
Metal and Mining	8.9	8.9	9.7	14.2	1.0	1.3	0.6	1.2	6.9	10.5
Oil and Gas	5.1	5.0	6.0	7.8	0.9	1.8	0.6	1.4	2.0	4.4
Pulp, Paper and Forest Products	5.6	6.0	5.2	6.0	3.7	2.5	3.5	1.8	1.8	2.8
Telecommunications	7.1	9.3	9.2	9.0	1.4	1.6	1.2	1.1	3.5	5.3
Transportation	2.4	3.2	3.1	2.3	3.9	3.3	2.9	2.7	4.0	2.8
Other	5.8	5.7	4.2	5.3	2.9	2.5	2.1	2.1	2.8	2.9

Source: Fitch Ratings.

Building Materials

The credit trends have generally been poor for Cemex, Camargo Correa, Votorantim and Odebrecht during the past year. The weakening of the credit profile of these companies has occurred for a variety of reasons. They include capital structures, acquisitions, declining demand and derivative losses. Measures of credit strength are not expected to improve during the second half of 2009 due to weakness in cash flow generation.

Cemex was downgraded multiple notches during 2008 and 2009 on account of high refinancing risk and very poor cash flow generation. The company is currently in discussion with its key bankers in an effort to restructure the maturity schedule of its syndicated and bilateral bank agreements. On June 15, the company's announced that it had reached an agreement to sell its Australian operations to Holcim for AUD2.02 billion (USD1.6 billion). This asset sale is viewed as mildly positive for Cemex's credit quality as it may enable the company to complete a comprehensive refinancing plan given the incremental liquidity provided by the asset sale. Ultimately, an improved debt amortization schedule that provides sufficient financial flexibility to operate through the economic downturn could also pave the way for additional asset sales by Cemex.

Potential improvements in Cemex's credit quality following the completion of a bank refinancing would likely be limited. The loss of the operating cash flow of the Australian assets (EBITDA of AUD313 million) and other assets to be sold, plus the poor performance of the company's business in Europe and the U.S., will continue to result in high leverage at Cemex during 2009 and 2010. The Rating Watch of Evolving continues to reflect the potential for future negative rating actions. Rating downgrades would likely occur if the company is not able to get consensus among its bank group to refinance the majority of the debt agreements under satisfactory terms. Credit downgrades could also occur in the near future if bank groups do not provide the company with sufficient liquidity for working capital purposes that would allow the company to operate smoothly through the extreme downturn in its key markets.

During February, the Rating Outlook for Camargo Correa was revised to Negative from Stable due to concern about Brazil's slowing economy and the negative impact it could have on the company's cement, homebuilding, and engineering and construction businesses. This change in the Rating Outlook followed Camargo's decision to acquire Votorantim's 50% stake in VBC Energia for BRL2.6 billion. Camargo has a history of integrating acquisitions smoothly and deleveraging in a short period of time. Its diversified portfolio of operations, adequate market position in the industries in which it participates and strong liquidity relative to leverage could enable the company to maintain its current rating in the absence of a severe downturn of the Brazilian economy.

Votorantim is a diversified Brazilian holding company with operations in cement, pulp and paper, metals, steel, orange juice, energy and banking. The company's leverage increased substantially in 2008 due to acquisitions, large capital expenditures and derivative losses. To improve its capital structure and to finance some acquisitions, the company sold its investment in VBC Energia to Camargo. It also sold Banco do Brasil a stake in Banco Votorantim. Votorantim's EBITDA fell slightly in 2008 and is expected to fall by more than 20% in 2009. The company will be completing several projects during 2009 and 2010 that will be a culmination of the capital expenditures made during 2008 and 2009. These market pulp, zinc, energy, steel and cement projects should help the company's EBITDA rebound during 2010. Votorantim's Rating Outlook is Stable.

The credit ratings of Odebrecht maintain a Rating Outlook of Stable. Odebrecht is a leading Latin American engineering and construction company. It is wholly owned by the Odebrecht group, one of the 10 largest Brazilian private groups. The Odebrecht group has major investments in Brazilian petrochemicals through Braskem S.A. Odebrecht's rating outlook reflects is very strong liquidity position and low leverage. While its leverage will increase during 2009, it is not expected to fall outside of the rating category.

Building Materials Companies

(USD Million)

		Interest Coverage				Leverage				Liquidity	
		FFO Interest Coverage		EBITDA/Interest Expense		Total Debt/EBITDA		Total Net Debt/ EBITDA		CFO/Debt (%)	
Company Name	**IDR**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
CEMEX, S.A.B. de C.V.	B	3.2	5.0	3.8	4.7	5.0	5.0	4.8	4.8	11	16
Camargo Correa	BB	3.2	3.6	2.0	2.5	2.1	2.7	1.2	1.1	19	31
Construtora Norberto Odebrecht	BB+	26.1	18.4	16.0	10.2	0.9	1.4	—	(0.4)	81	59
Votorantim Participacoes	BBB	N.A.	N.A.	N.A.	N.A.	9.3	9.3	5.9	3.3	1	11
Median Measures		**3.2**	**5.0**	**3.8**	**4.7**	**3.6**	**3.9**	**3.0**	**2.2**	**15**	**24**

N.A. – Not applicable. CFO – Cash flow from operations.
Source: Fitch Ratings.

Building Materials Companies

(USD Million)

	Cash + FFO/Short-Term Debt		Net Revenues	Operating EBITDA	Net Income	ROE (%)	Cash and Marketable Securities	Short-Term Debt	Total Debt with Equity Credit
Company Name	**2008**	**2007**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**
Camargo Correa	3.4	5.7	6,989	1,390	302	9	1,253	813	2,928
CEMEX	0.5	1.4	21,785	4,367	204	1	993	6,957	22,010
Construtora Norberto Odebrecht	8.0	6.4	9,019	1,259	321	29	1,055	377	1,113
Votorantim Participacoes	0.7	1.4	19,091	3,982	8	0	13,759	20,764	37,125
Median Measures	**2.0**	**3.5**	**14,055**	**2,686**	**253**	**5**	**1,154**	**3,885**	**12,469**

Source: Fitch Ratings.

Diversified Manufacturing

Mabe, Kuo and Vitro are all market leaders within Mexico. They also all have important export businesses, mainly to the U.S. These three corporates have been amongst the most hammered within Latin America by the global economic downturn given lower demand for consumer and durable goods, both nationally and abroad. To preserve liquidity Mabe, Kuo and Vitro have focused on improving working capital management and reducing capital expenditures.

Mabe is a large exporter of white goods to GE in the U.S. During the first half of 2009, the company was able to refinance and pay down a large portion of its short-term debt, which represented 60% of total debt at the end of 2008. Although this year presents a major challenge, Fitch anticipates that Mabe will be able to maintain its strong market shares across the Americas, improve its cash flow generation and maintain credit metrics consistent with the rating category. Like Vitro and Kuo, the company will benefit during 2009 from lower input costs and a weakened Mexican peso versus the U.S. dollar. Mabe's liquidity continues to benefit from its committed credit lines.

The current business environment is challenging for KUO, with low demand in the auto sector and price softening in the chemical business due to reduced commodity-linked input costs. The drop in EBITDA due to these two factors will be mitigated to a small extent by the reduction in raw materials and energy costs. Cash generation will also be bolstered to a degree by the company's consumer division. Kuo's management has been working in the past years to strengthen its balance sheet, improve the company's debt maturity profile and reduce costs. Additional liquidity is provided by a three-year revolving credit line for USD25 million and uncommitted bank credit lines.

Vitro defaulted on its debt obligations in February 2009 as a result of low liquidity that resulted from losses on derivative instruments and an inability to refinance short-term debt maturities. The company is negotiating with creditors and derivative counterparts to settle the terms and conditions for its restructure. Vitro's EBITDA generation has been significantly affected by the current economic and business environment, particularly by lower demand in the construction and automotive segments, as well as lower sales of the glass containers division. The near-term outlook for the company is grim, and as a result, management's efforts are focused on cutting costs and expenses.

As observed in past economic downturns, exporters usually benefit from a weakening of their currency versus their key import market. This crisis will not benefit these three manufacturers; however, as demand is expected to continue to be very weak in their key markets, offsetting the improvement of their cost structures. Positive rating actions are not expected for the sector, and negative rating actions could not be ruled out if recessionary effects are deeper and longer than expected.

Diversified Manufacturing Companies

(USD Million)

		Interest Coverage				Leverage				Liquidity	
		FFO Interest Coverage		EBITDA/Interest Expense		Total Debt/EBITDA		Total Net Debt/ EBITDA		CFO/Debt (%)	
Company Name	**IDR**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Controladora Mabe	BBB–	1.4	3.4	3.9	3.9	2.6	2.5	2.1	2.0	4	31
Grupo KUO	B+	2.4	3.8	4.4	3.0	3.1	3.6	2.8	3.2	(2)	33
Vitro	D	3.2	2.2	1.9	2.1	5.2	3.4	4.9	3.0	22	15
Median Measures		**2.4**	**3.4**	**3.9**	**3.0**	**3.1**	**3.4**	**2.8**	**3.0**	**4**	**31**

CFO – Cash Flow from Operations.
Source: Fitch Ratings.

Diversified Manufacturing Companies

(USD Million)

	Cash + FFO/Short-Term Debt		Net Revenues	Operating EBITDA	Net Income	ROE (%)	Cash and Marketable Securities	Short-Term Debt	Total Debt with Equity Credit
Company Name	**2008**	**2007**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**
Controladora Mabe	0.4	2.2	4,242	418	38	7	208	648	1,084
Grupo KUO	2.1	4.0	2,060	147	(139)	(33)	41	41	450
Vitro	0.3	4.5	2,605	285	(508)	(209)	106	1,366	1,495
Median Measures	**0.4**	**4.0**	**2,605**	**285**	**(139)**	**(33)**	**106**	**648**	**1,084**

Source: Fitch Ratings.

Electricity

The credit outlook for electricity companies is Stable. During the next six to 18 months, rating actions for electric corporates in Latin America are likely to reflect individual issuer circumstances rather than industry trends. Although these companies are not immune from the worldwide economic crisis, their overall financial and liquidity profile has improved over the past few years, allowing them to weather these difficult times.

Deleveraging has been based upon strong demand and cash flow growth. Thanks to the relaxed lending standards preceding the credit crisis, many Latin American power companies were able to access the capital markets and improve their debt structure. As a result, very few companies in the sector face large refinancing needs during the next two years.

Electricity Consumption Growth

(%)

Country	2008	1H09[a]
Argentina	3.50	(0.6)
Brazil	3.80	(2.7)
Chile (SIC)	(0.6)	(0.30)
Colombia	1.60	1.20
Mexico	1.90	(4.80)

[a]As of May 2009 compared with same period of previous year.
Source: Local regulatory bodies.

Historically, electricity demand has been closely correlated to economic activity and GDP growth. A slowdown in electricity demand is anticipated for 2009 as Fitch forecasts significant drops in the GDP of Mexico, Venezuela, Ecuador and Argentina. Energy demand in Central America and the Caribbean could follow a similar path due to its linkage to the United States' performance.

Most of the companies are decreasing the size of their capital expenditure programs. Generation companies will continue to invest in ongoing projects but will postpone new capacity additions. Fitch expects power distribution companies' investments to be sufficient to cope with organic growth.

Similar to corporates within the region in other sectors, electricity companies are expected to face tough times funding new projects as the bond market is now only intermittently open and banks are focusing on preserving its capital. In addition, borrowing costs have increased substantially on the back of widened credit spreads. While access to the international debt capital markets remains hindered, multilateral entities will play an important but complementary role in the development and financing of new projects in the region. Some of the multilateral agents actively involved in the region are the Inter-American Developing Bank (IDB), the Corporacion Andina de Fomento (CAF) and Brazilian Banco Nacional de Desenvolvimento (BNDES).

Volatility makes long-term capex planning much harder. Although the short-term drivers lead to deferrals of new infrastructure commitments, energy demand is expected to resume its historical growth rates over the longer term. The impact of such investment deferrals will vary by country. In countries with reserve margins already at uncomfortably low levels, such as Central America and Argentina, the lack of expansions may affect the energy sector's long-term reliability. Although the regional integration of the electricity markets might have been a solution, unluckily it remains in an infancy stage and will most likely suffer a setback.

Absent regional integration through SIEPAC (Central American Electrical Interconnection System), the Central American region is likely to be the most exposed to supply shortages given its currently small reserve margins and minimal capacity expansion activity. Brazil, Chile and Colombia seem to be proactively working towards building stronger and more independent energy industries. These countries have put in place strong regulatory frameworks that attract investment and promote growth, which will guarantee them reliable electricity industries in the future. In contrast, the Argentine government's interference in the country's energy sector has drawn away investment and energy deficits are around the corner.

This year will continue to be challenging in the Southern Cone amid the continuing natural gas crisis. Both Argentina and Bolivia are expected to face challenges while trying to meet natural gas export contract obligations. Argentina will more than likely continue to face its own natural gas shortages, driven by a weak regulatory framework, high demand for cheap energy and minimal investment in upstream natural gas production.

During 2008, record high hydrocarbon prices hurt those countries most reliant on thermoelectric generated energy. Some of those countries implemented subsidy programs or expanded existing ones in order to avoid passing through the increased energy costs to end users. This created significant market distortions and, in most cases,

Electricity Companies

(USD Million)

		Interest Coverage				Leverage				Liquidity	
		FFO Interest Coverage		EBITDA/Interest Expense		Total Debt/ EBITDA		Total Net Debt/ EBITDA		CFO/Debt (%)	
Company Name	**IDR**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
AEI	BB	2.5	3.2	2.9	2.6	3.7	4.1	2.9	3.3	13	21
AES Dominicana Energia Finance	B–	2.8	3.8	5.6	3.8	1.6	2.5	1.3	1.7	(7)	(5)
AES El Salvador Trust	BB+	3.6	3.4	2.9	3.9	5.0	3.5	4.7	3.3	6	15
AES Gener	BBB–	5.1	2.9	5.4	4.1	2.6	3.6	2.3	3.4	21	9
AES Panama	BBB–	5.5	5.7	7.0	5.7	2.2	2.7	1.9	2.4	34	25
Alestra	B+	4.9	4.2	4.5	4.2	2.0	2.3	1.8	1.9	41	28
C.A. La Electricidad de Caracas	B+	3.3	6.4	2.5	5.1	3.2	1.0	1.5	0.5	5	98
Compania General de Electricidad	BBB+	3.7	4.6	3.8	4.2	4.7	5.7	4.5	5.6	14	16
ElectroAndina	BB	0.7	2.2	3.2	2.6	4.9	6.7	4.3	6.0	(24)	(3)
Elektra Noreste	BBB	5.9	2.7	4.9	5.2	3.2	2.3	2.6	2.1	12	19
Eletropaulo Metropolitana Eletricidade de São Paulo	BB–	11.0	11.8	12.8	9.6	2.2	3.0	1.4	2.1	39	46
Empresa de Energia de Bogota	BB	3.2	4.0	3.0	3.9	3.7	3.9	2.9	3.3	21	20
Empresa Generadora de Electricidad Haina	B–	3.7	4.6	3.1	5.0	2.4	2.7	2.1	1.7	3	1
Empresa Generadora de Electricidad Itabo	B–	0.3	1.6	4.2	2.4	1.7	3.9	1.4	3.7	3	(4)
Empresa Nacional de Electricidad	BBB	6.1	3.1	5.9	4.3	2.0	2.8	1.5	2.6	38	20
Empresas Municipales de Cali	CCC	0.8	4.0	1.1	2.1	10.2	7.0	10.2	6.9	(2)	7
Empresas Publicas de Medellin	BB+	15.3	13.5	16.2	11.8	0.6	0.8	0.4	0.3	142	87
Enel Fortuna	BBB–	8.5	4.9	10.3	5.8	0.8	1.5	0.4	1.3	86	35
Energisa	BB–	8.1	7.5	6.6	5.3	2.8	3.4	1.9	2.2	41	35
Enersis	BBB	4.9	3.4	5.1	4.1	1.6	2.6	1.2	2.2	47	22
ISA Capital do Brasil	BB	6.2	(1.1)	8.3	9.5	1.2	1.6	1.1	1.3	44	(89)
ISAGEN	BB+	7.2	6.3	7.8	6.8	1.0	1.3	0.3	0.7	82	51
Rede Energia	CCC	1.2	2.1	2.3	2.9	4.6	5.4	4.3	4.8	(2)	6
Termocandelaria	BB–	1.8	2.2	1.8	0.7	3.8	11.3	3.8	10.7	4	20
Transelec	BBB–	4.0	3.2	3.9	3.1	4.4	7.2	4.0	6.9	16	8
Transener	B–	2.6	2.8	2.1	2.6	4.5	3.8	4.4	3.5	14	17
Median Measures		**3.9**	**3.6**	**4.4**	**4.2**	**2.7**	**3.2**	**2.0**	**2.5**	**15**	**19**

CFO – Cash flow from operations.
Source: Fitch Ratings.

increased the sector's reliance upon government support. This was primarily the case in some Central American and Caribbean countries and in Argentina.

Politics will continue to play a key role in the electricity sector. Issuers that reside in countries with progressive regulatory frameworks are better equipped to weather both the natural gas crisis and economic slowdown. These issuers are likely to continue to benefit from the ability to pass on increased fuel costs to end users and tariff structures that reflect the true cost of generation. Colombia, Chile and Brazil are some of the best examples of countries with regulatory frameworks that balance the needs of consumers and utilities, which allow utility companies to pass increased generation costs to end users and have tariff structures that reflect increases in operating cost structures.

The few negative rating actions taken by Fitch during the past 18 months have been driven by credit specific issues. In 2008 and the first half of 2009 Fitch downgraded the rating of C.A. La Electricidad de Caracas, ISAGEN, Rede Energia and Transportadora de Gas del Sur. These rating downgrades reflected issuer-specific credit concerns ranging from increasing leverage, deteriorating credit metrics and refinancing risk. For similar reasons, Fitch also placed the following companies on Rating Watch or revised their Outlook to Negative: Centrais Eletricas Matogrossenses, Centrais Eletricas do Para S.A., AES El Salvador Trust, Empresa de Energia de Bogota and AES Gener S.A.

Electricity Companies

(USD Million)

Company Name	Cash + FFO/ Short-Term Debt 2008	2007	Net Revenues 2008	Operating EBITDA 2008	Net Income 2008	ROE (%) 2008	Cash and Marketable Securities 2008	Short-Term Debt 2008	Total Debt with Equity Credit 2008
AEI	2.6	1.7	9,211	1,081	158	9	819	547	3,962
AES Dominicana Energia Finance	3.0	N.A.	358	112	21	5	40	25	181
AES El Salvador Trust	4.2	73.3	484	63	16	7	19	18	317
AES Gener	13.6	6.8	1,979	452	167	8	161	37	1,191
AES Panama	597.7	881.1	211	139	71	45	38	0	300
Alestra	2.4	3.2	420	120	(35)	(21)	15	48	234
C.A. La Electricidad de Caracas	183.7	90.3	853	203	(141)	(5)	363	3	658
Compania General de Electricidad	1.5	0.9	3,497	501	204	12	62	283	2,339
ElectroAndina	0.1	0.4	676	36	(0)	0	20	177	177
Elektra Noreste	2.8	N.A.	515	45	17	14	25	25	144
Eletropaulo Metropolitana Eletricidade de São Paulo	4.7	5.1	4,097	890	526	37	666	291	1,916
Empresa de Energia de Bogota	8.4	2.6	300	420	111	4	308	73	1,535
Empresa Generadora de Electricidad Haina	51.1	9.4	461	74	39	12	22	2	177
Empresa Generadora de Electricidad Itabo	N.A.	N.A.	252	73	42	14	21	—	125
Empresa Nacional de Electricidad	2.7	1.3	4,775	2,196	848	15	1,104	1,089	4,343
Empresas Municipales de Cali	(0.1)	3.2	681	59	(19)	(2)	3	48	604
Empresas Publicas de Medellin	16.5	9.8	1,936	1,023	677	10	302	73	662
Enel Fortuna	8.4	4.4	212	130	70	18	50	17	104
Energisa	10.2	4.2	892	296	57	14	264	57	816
Enersis	3.1	2.3	12,745	4,877	1,094	9	2,044	1,842	7,847
ISA Capital do Brasil	2.6	0.0	851	717	(19)	(1)	54	195	870
ISAGEN	32.3	23.8	626	251	132	9	157	11	240
Rede Energia	0.4	1.5	2,174	582	112	10	171	557	2,680
Termocandelaria	1.0	4.0	36	23	(9)	(13)	0	9	86
Transelec	13.1	11.9	352	300	108	8	105	26	1,306
Transener	30.4	38.2	144	47	(21)	(7)	6	1	213
Median Measures	**4.2**	**4.2**	**651**	**227**	**64**	**9**	**58**	**42**	**631**

NA – Not applicable.
Source: Fitch Ratings.

Food and Beverage

There has been a stark difference between the rating actions for Latin American food and beverage companies during the past 12 months. While beverage companies stand out given their strong credit profiles and stable business positions, even in the face of the steep negative cycle, companies in the food industry have experienced numerous negative rating actions during this period.

In the last 18 months the credit profile of the Brazilian beef industry deteriorated significantly due to underutilized capacity as a result of aggressive industry growth, suspension of the purchase of fresh Brazilian beef by the European Union (EU) and the global recession. The excess capacity resulted in fierce competition for cattle, which in turn drove raw materials costs even higher. It also resulted in significant price discounts in the local market as companies were forced to redirect some of the export sales to the domestic market.

Since September 2008, several small- and six medium-sized companies in the Brazilian beef industry filed for bankruptcy protection. Fitch downgraded Arantes to 'D' in January as a result of its inability to roll over short-term maturities and substantial derivative losses. In May, Minerva's ratings were downgraded one notch to 'B' due to the dramatic increase in leverage from weak operating trends and high capital expenditures. It remains under Rating Watch Negative due to the marginal incremental revenues expected from its greenfield investments in 2008 and the challenges still facing the industry.

Fitch expects free cash flow generation for most of these companies to turn positive in 2009 as select companies not only benefit from the repercussions of bankruptcy, but also from better working capital management and lower capital expenditures. The temporary closing of some plants and the increased availability of financing from the Brazilian government is also a positive. In spite of these positive developments, challenges will continue for the industry during 2009 as the global recession will certainly continue in the foreseeable future, leading to continued price risk and volatility, protectionist trade policies, protein substitution and limited credit availability.

Gruma is one of the world's largest producers of corn flour and tortillas, with operations in Mexico, the U.S., Europe, Venezuela, Central America, China and Australia. The company's ratings were downgraded multiple notches due to large losses on derivative instruments and the conversion of these realized losses into debt. The ratings for Gruma should remain stable given its good operating performance during the past six months and an expectation that the company will continue to generate strong operating cash flow.

Iansa is the sole producer of sugar in Chile, supplying approximately 65% of the local market. The company's non-sugar businesses include: juice concentrate, tomato paste, pet food and vegetable oil. Iansa's ratings were downgraded multiple notches during 2009 due to a significant deterioration in operating performance and its tight liquidity position. They remain on Rating Watch Negative.

In the case of Latin American beverage companies, they are characterized by stability in their results and by possessing some of the strongest credit profiles in the region, supported by strong cash flow generation, solid financial positions and stable business environments.

In general, during the past 12 months, companies have been able to offset slight declines in sales volume in some segments through innovation in packaging and products and better pricing. Given their strong capital structures and generally ample funding sources, they should not face any liquidity or refinancing issues during the rest of the year. As a result, ratings for beverage companies should remain stable during the next six-to-12-month period as companies should weather the negative economic cycle without significant effects on results and their financial profiles.

Food and Beverage Companies

(USD Million)

		Interest Coverage				Leverage				Liquidity	
		FFO Interest Coverage		EBITDA/Interest Expense		Total Debt/EBITDA		Total Net Debt/ EBITDA		CFO/Debt (%)	
Company Name	**IDR**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Arantes Alimentos	D	N.A.	2.4	N.A.	1.8	N.A.	8.8	N.A.	4.8	N.A.	(9)
Bepensa	BBB	6.4	17.6	15.0	21.5	1.7	1.5	1.3	1.0	3	38
Coca-Cola Femsa	A–	6.8	5.6	7.7	6.9	1.1	1.3	0.7	0.8	68	47
Companhia de Bebidas das Americas	BBB	6.9	22.7	7.9	25.4	1.0	1.2	0.7	0.9	79	73
Compania Cervecerias Unidas	A	12.9	14.4	14.4	16.8	1.1	1.2	1.0	0.4	59	66
Embotelladora Andina	A	7.3	20.2	6.4	19.9	0.4	0.6	(0.2)	(0.4)	225	153
Empresas IANSA	B–	0.4	4.1	1.3	3.9	10.8	3.4	8.7	2.6	(37)	52
Gruma	B+	7.2	4.7	6.1	4.5	2.5	2.6	2.2	2.4	14	2
JBS	B+	3.9	2.2	2.1	2.1	3.9	6.9	2.3	4.4	21	(11)
Marfrig Alimentos	B+	1.0	2.1	1.7	1.5	4.8	6.7	3.6	3.7	(18)	(8)
Minerva	B	1.0	(0.5)	1.5	1.7	7.3	4.9	4.9	1.5	(10)	(30)
Median Measures		**6.6**	**4.7**	**6.3**	**4.5**	**2.1**	**2.6**	**1.8**	**1.5**	**17**	**38**

N.A. – Not applicable. CFO – Cash flow from operations.
Source: Fitch Ratings.

Food and Beverage Companies

(USD Million)

	Cash + FFO/Short-Term Debt		Net Revenues	Operating EBITDA	Net Income	ROE (%)	Cash and Marketable Securities	Short-Term Debt	Total Debt with Equity Credit
Company Name	**2008**	**2007**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**
Arantes Alimentos	N.A.	1.2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Bepensa	1.3	2.2	805	143	13	3	65	88	249
Coca-Cola Femsa	3.0	3.4	5,998	1,226	405	10	448	462	1,362
Companhia de Bebidas das Americas	3.0	3.7	11,372	4,926	1,665	22	1,425	1,714	4,766
Compania Cervecerias Unidas	2.5	22.0	1,498	339	158	17	57	136	389
Embotelladora Andina	38.9	24.8	1,622	339	182	33	203	14	136
Empresas IANSA	0.3	4.3	478	19	(15)	(5)	39	112	205
Gruma	3.0	3.2	4,012	421	(1,101)	(164)	104	177	1,033
JBS	1.9	0.7	16,510	625	14	1	990	957	2,427
Marfrig Alimentos	0.8	1.9	3,376	410	(19)	(2)	463	564	1,957
Minerva	1.3	4.4	1,154	83	(117)	(86)	202	155	609
Median Measures	**2.2**	**3.4**	**2,499**	**374**	**14**	**2**	**202**	**166**	**821**

N.A. – Not applicable.
Source: Fitch Ratings.

Homebuilders

Fitch maintains a cautious assessment of the Brazilian homebuilding industry for 2009, downgraded a number of companies during January and assigned a Negative Outlook for the industry. These rating actions reflected changes in the sector's fundamentals and an expectation of poor financial performance in 2009 and 2010. Some of the mergers and acquisitions undertaken in the second half of 2008 will still be in the process of consolidation, such as the acquisition of Tenda by Gafisa and the merger of Company and Brookfield. Fitch believes event risk is high for the sector as the downturn could accelerate consolidation. A total of five domestic real estate companies (publicly traded on the Bovespa) have changed their ownership structure through mergers and acquisitions since the second semester of 2008. These transactions continue to pose event risk for the large Brazilian homebuilders.

Homebuilders in Brazil have dramatically slowed their growth and will remain highly selective and cautious during 2009 and 2010. Total projects launched by companies analyzed by Fitch decreased to BRL1.2 billion in the first quarter of 2009 from BRL3.6 billion in the last quarter of 2008; full-year 2008 project launchings totaled BRL16.8 billion, 23% lower than the guidance announced by the companies earlier in the year. The expectation is that the 2009 figure will be 40% below 2008. During 2009, inventory levels are projected to climb, as upper-middle- and high-income segment demands should remain constrained by the macroeconomic downturn. Liquidity will remain under pressure due to the high working capital needs of projects in process and a drop in EBITDA due to lower demand. To respond to this pressure companies have reduced headcount and decreased land purchase. Nevertheless, Fitch expects free cash flow to remain negative in 2009. Following the completion of the majority of the projects launched in 2006 and 2007, some homebuilders should report positive cash flow during 2010 and thereafter.

Larger, well-established companies with adequate performance and credit measures should continue to have access to funding sources to meet working capital needs. The Brazilian government has recently announced several programs that should enhance the credit supply for homebuyers. The "Minha Casa Minha Vida" program announced in March 2009, with a total funding amount expected to reach BRL36.5 billion, is designed to stimulate demand and reinforce the focus and growth potential in the low-income segment. The program should facilitate access to real estate credit for the low- and middle-income homebuyers by providing subsidized interest rates with a grace period and lower installments. The program's strong dependence on the national savings bank Caixa Econômica Federal (Caixa) and the slow and bureaucratic process to obtain all the licenses could delay the implementation of all measures of the program.

The Mexican homebuilding sector has positively evolved over the past decade. While last year could be considered a satisfactory year for the industry, overall results were mixed. Sales remained stable in the low-income sector, allowing the government-related mortgage lenders to reach their established lending goals, yet banks and Sofoles reduced their rate of lending mainly in the middle and residential segments as the market contracted in these segments. Homebuilders, primarily the largest market players, redirected their efforts to the affordable entry level housing segment, which comprises the lion's share of the market. Given this redirection of resources into this market segment, Fitch expects 2009 will be a year of industry consolidation, where smaller, undercapitalized homebuilders and finance companies will either cease to operate or will be acquired by larger players.

The current economic downturn is one of the major challenges facing the industry and should result in industry contraction relative to the previous year. The magnitude of this market adjustment will depend largely on the effectiveness of the government initiatives designed to mitigate the effect of an expected reduction in gross domestic product (GDP). In March 2009, President Felipe Calderon signed the "Pacto Nacional por la Vivienda para Vivir Mejor," which reaffirms the commitment by sector players to promote and maintain credit access and homebuilding during this economic downturn. Over the next couple of years, the industry will evolve as developers with geographically diversified operations and efficient production processes take advantage of the support given by the government-related mortgage lenders such as Infonavit (Instituto del Fondo Nacional de la Vivienda para los Trabajadores), Fovissste (Fondo de la Vivienda del Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado) and other public institutions tailored for the low-income level.

Fitch expects a contraction of the middle and residential sectors, which will receive the hardest impact due to the aforementioned credit restrictions prevailing in the market. Ultimately, homebuilders will continue to prioritize the strengthening of their financial liquidity generation over sales growth given the challenging business landscape, positioning them with greater financial flexibility to face the prevailing economic environment. Among the strategies the companies have adopted to achieve this objective is the reduction of overall sales growth while increasing their production of low-income housing, which should result in increased liquidity as a result of lower working capital requirements. Despite the efforts to curb growth and reduce working capital, homebuilders should achieve neutral or slightly negative free cash flow for the current year, and this should become positive in 2010.

Homebuilders Companies

(USD Million)

		Interest Coverage				Leverage				Liquidity	
		FFO Interest Coverage		EBITDA/Interest Expense		Total Debt/EBITDA		Total Net Debt/ EBITDA		CFO/Debt (%)	
Company Name	**IDR**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Brookfield Incorporações	BB–	N.A.	3.2	N.A.	2.5	4.5	1.5	3.5	(1.4)	(78)	19
Company	BB–	N.A.	6.8	N.A.	5.7	7.8	3.3	7.6	1.8	(36)	(9)
Cyrela Brazil Realty	BB–	8.6	10.5	2.5	3.3	3.5	2.6	2.1	0.7	(46)	(11)
Even Construtora e Incorporadora	B+	2.4	1.4	3.1	6.2	4.1	3.0	1.8	0.4	(92)	(200)
Urbi Desarrollos Urbanos	BB	4.1	4.5	3.6	4.5	1.5	1.7	1.1	0.7	(26)	(45)
Median Measures		**4.1**	**4.5**	**3.1**	**4.5**	**4.1**	**2.6**	**2.1**	**0.7**	**(46)**	**(11)**

NA – Not applicable. CFO – Cash flow from operations.
Source: Fitch Ratings.

Homebuilders Companies

(USD Million)

	Cash + FFO/ Short-Term Debt		Net Revenues	Operating EBITDA	Net Income	ROE (%)	Cash and Marketable Securities	Short-Term Debt	Total Debt with Equity Credit
Company Name	**2008**	**2007**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**
Brookfield Incorporações	1.9	7.0	431	103	56	9	107	216	467
Company	0.3	3.1	194	22	8	9	6	111	171
Cyrela Brazil Realty	8.1	8.8	1,549	272	151	15	373	149	954
Even Construtora e Incorporadora	3.7	6.3	450	60	32	9	139	45	246
Urbi Desarrollos Urbanos	2.2	2.3	1,347	367	198	17	147	210	546
Median Measures	**2.2**	**6.3**	**450**	**103**	**56**	**9**	**139**	**149**	**467**

Source: Fitch Ratings.

Media and Entertainment

Credit profiles for companies in the Latin American media and entertainment sector remain resilient to the global economic downturn. TV broadcasters such as Televisa and Globo operate in mature domestic markets and hold leading market positions vis-à-vis their competitors. In addition, free cash flow generation, large cash balances and extended debt maturities support their ratings. Cable operators like Cablemas (Mexico) and Cablevision (Argentina) benefit from economies of scale, product diversification and a manageable debt maturity profile.

As expenditures on advertising are closely linked to domestic GDP, it is expected that revenues for TV broadcasters will fall substantially during 2009 and throughout 2010. Cable operators could observe stable revenues coming from their pay-TV subscribers as this service is a substitute for away-from-home entertainment in times of a weak economy. Broadband and telephony services offered by these companies will continue as the main growth driver, however, it is expected to be at a slower pace given the current economic environment. Major challenges for the corporates in this sector continue to be increased competition across segments and additional regulation.

Televisa's business and credit profile remains strong due to its position as the largest TV broadcaster in Mexico and a leading provider of Spanish speaking content. Additionally, Televisa holds majority stakes in the largest pay-TV providers in Mexico through DTH operator Sky and cable operators Cablevision (Mexico City) and Cablemas (more than 45 cities in the country). The company's strong cash flow generation, in addition to its large cash balances, will allow it to finance capex and fund shareholder distributions while maintaining a conservative liquidity position.

Globo benefits from its leading market position as the largest Brazilian TV network and Portuguese-speaking content provider. The company generates solid cash flows and has a manageable debt amortization schedule, as it does not face major debt maturities until 2022 when its USD200 million senior notes mature. Globo has faced increased competition in the TV broadcasting segment, pressuring its audience shares, but advertising revenues have not been affected. During the first quarter of 2009 this segment grew almost 11% compared to the same period in 2008, while net consolidated revenues grew 15%.

Cable operators Cablemas and Cablevision have manageable debt profiles, although in general terms their cash flow generation is more limited than media companies and traditional fixed telephone line operators. Capital expenditures relative to cash from operations are high, resulting in negative or limited free cash flow. Broadband and telephony service offerings require additional investments to increase penetration that should be covered by internally generated funds; however, credit scarcity could delay growth plans. In addition, the return on investments is less attractive given the currency devaluation as a portion of capital expenditures, and content is linked to the U.S. dollar, while revenues are mostly generated in local currency.

Media and Entertainment Companies

(USD Million)

		Interest Coverage				Leverage				Liquidity	
		FFO Interest Coverage		EBITDA/Interest Expense		Total Debt/EBITDA		Total Net Debt/ EBITDA		CFO/Debt (%)	
Company Name	IDR	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Cablemas	BB–	3.4	3.8	2.8	3.9	2.3	2.9	2.2	2.8	46	25
Cablevision	B	5.0	3.9	4.6	3.5	2.0	2.9	1.9	2.7	41	28
Globo Comunicacao e Participacoes	BBB–	10.7	7.6	9.7	6.0	0.7	1.0	(0.5)	(0.4)	146	108
Grupo Televisa	BBB+	8.1	8.2	6.9	8.1	1.7	1.5	(0.1)	(0.1)	58	44
Median Measures		**6.6**	**5.8**	**5.8**	**5.0**	**1.9**	**2.2**	**0.9**	**1.3**	**52**	**36**

CFO – Cash flow from operations.
Source: Fitch Ratings.

Media and Entertainment Companies

(USD Million)

Company Name	Cash + FFO/ Short-Term Debt 2008	2007	Net Revenues 2008	Operating EBITDA 2008	Net Income 2008	ROE (%) 2008	Cash and Marketable Securities 2008	Short-Term Debt 2008	Total Debt with Equity Credit 2008
Cablemas	36.0	2.3	283	101	(1)	0	9	3	229
Cablevision	4.6	4.8	1,080	366	63	10	54	81	740
Globo Comunicacao e Participacoes	133.9	23.0	4,136	921	270	19	1,122	15	639
Grupo Televisa	27.4	73.0	4,297	1,741	699	20	3,060	177	2,941
Median Measures	**31.7**	**13.9**	**2,608**	**643**	**167**	**14**	**588**	**48**	**690**

Source: Fitch Ratings.

Metals and Mining

Rating actions should be minimal during the next six to 12 months for most Latin American metals and mining companies. As a group, they enjoy strong cash positions and manageable debt amortizations schedules. International debt capital markets for the top companies in the industry have also been available, as evidenced by nearly USD25 billion of debt issuances in the past couple of months by their global competitors. Locally, Latin American companies in metals and mining are receiving support from their relationship banks and government development banks. This assistance is primarily due to their strong positions globally as low-cost producers as well as the importance of exports.

China's demand for commodities will continue to be a key consideration in future rating actions, as it is a major sales market for many Latin American mining companies. During 2008, it had global market shares of 53% for seaborne iron ore, 29% for nickel, 34% for aluminum and 27% for copper. A significant drop in demand for these products by China could lead to negative rating actions. If markets would weaken to the levels witnessed during the first quarter of 2009, or remain at those levels into 2010, ratings in the sector could also be negatively impacted.

The first half of 2009 was brutal for Latin American steel companies. Across the region, the steel industry was operating at less than 50% of capacity. For the steel companies rated by Fitch, sales volumes were down by between 35% and 54% during the first quarter of 2009 versus the comparable quarter in 2008. Sales declines were especially significant in the industrial and agriculture equipment sectors of the market, as well as civil construction.

The bag was somewhat mixed, but equally painful for the mining companies, as prices dropped sharply due to both low demand and inventory destocking. Nickel was hit the hardest on a year-on-year basis. Between March 31, 2008, and March 31, 2009, the price of nickel fell to USD4.27/lb. from USD13.52/lb. Prices for copper and aluminum also dropped sharply during this time period as the price per pound of copper fell to USD1.83 from USD3.87, while the price per pound of aluminum declined to USD0.62 from USD1.33.

Metal prices have rebounded to a degree between the end of March and the end of July as nickel has climbed to USD7.45 per pound. Smaller, yet significant gains have been witnessed in copper and aluminum as the price per pound of copper has advanced to USD2.45 and the price of aluminum has risen to USD0.78. On June 10, Vale announced that it had reached an agreement with key customers in Japan and Korea for a 28.2% reduction in benchmark prices for its iron ore fines. This decline was smaller than expected and could be viewed somewhat favorably against the 65% price increase the company pushed through last year. During April and May, steel producers continued to have very weak sales volumes and were operating well below capacity.

Against this backdrop, Fitch projects that the EBITDA of many of the metals and mining companies in the region will decline by more than 50% during 2009. Defaults are unlikely over the next 12 months due to the strong capital structures that were created by companies in the region during the prior years. Covenants could be breached, particularly those that tie cash flow to equity or debt. Waivers are likely to be granted by lenders as banks are unlikely to accelerate the payment of debt to these viable enterprises.

Metal and Mining Companies

(USD Million)

		Interest Coverage				Leverage				Liquidity	
		FFO Interest Coverage		EBITDA/Interest Expense		Total Debt/EBITDA		Total Net Debt/ EBITDA		CFO/Debt (%)	
Company Name	IDR	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
CAP	BBB–	7.7	6.2	9.2	7.0	1.7	1.9	0.9	1.3	30	47
Companhia Siderurgica Nacional	BBB–	5.1	5.7	4.9	6.4	1.8	2.0	0.6	1.1	42	42
Corporacion Nacional del Cobre de Chile	A	12.7	18.0	26.2	38.2	0.8	0.5	0.7	0.2	68	108
Gerdau	BBB–	5.5	7.0	6.2	5.2	1.8	2.8	1.4	1.9	19	37
Grupo Mexico	BBB–	11.4	17.1	17.3	23.7	0.6	0.5	(0.1)	(0.2)	119	114
Molibdenos y Metales	BBB	(4.0)	6.7	6.0	10.8	3.0	1.6	2.0	1.2	30	13
Samarco Mineracao	BBB	17.7	9.6	16.2	17.3	0.7	1.4	0.5	1.3	121	38
Southern Copper Corporation	BBB	14.8	22.0	22.4	27.7	0.5	0.4	0.2	—	133	186
Usinas Siderurgicas de Minas Gerais	BBB–	8.0	17.7	10.1	22.9	0.9	0.5	0.4	(0.3)	38	144
Vale	BBB	9.7	8.1	8.8	11.1	1.1	1.2	0.3	1.2	90	55
Median Measures		**8.9**	**8.9**	**9.7**	**14.2**	**1.0**	**1.3**	**0.6**	**1.2**	**55**	**51**

CFO – Cash Flow from Operations.
Source: Fitch Ratings.

Metal and Mining Companies

(USD Million)

	Cash + FFO / Short-term Debt		Net Revenues	Operating EBITDA	Net Income	ROE (%)	Cash and Marketable Securities	Short-Term Debt	Total Debt with Equity Credit
Company Name	2008	2007	2008	2008	2008	2008	2008	2008	2008
CAP	6.9	5.3	1,972	532	293	26	379	111	880
Companhia Siderurgica Nacional	5.4	3.8	7,620	3,588	3,142	109	3,985	1,295	6,286
Corporacion Nacional del Cobre de Chile	2.2	16.9	14,425	6,233	1,567	40	387	1,445	4,749
Gerdau	3.7	4.6	22,805	5,455	2,691	25	2,339	1,699	10,038
Grupo Mexico	73.5	17.7	5,946	2,856	1,071	19	1,932	50	1,688
Molibdenos y Metales	0.2	0.8	2,477	159	70	14	183	209	459
Samarco Mineracao	N.A.	375.3	2,274	1,239	577	225	181	—	808
Southern Copper Corporation	227.5	26.9	4,851	2,529	1,407	41	717	10	1,290
Usinas Siderurgicas de Minas Gerais	7.1	13.1	8,547	3,270	1,755	27	1,732	558	3,082
Vale	47.4	7.9	37,426	17,555	13,218	30	12,639	633	18,635
Median Measures	**6.9**	**10.5**	**6,783**	**3,063**	**1,487**	**28**	**1,224**	**384**	**2,385**

N.A. – Not applicable.
Source: Fitch Ratings.

Oil and Gas

Most oil and gas companies in Latin America are highly linked to the sovereign as the governments control the operations of most companies, dictate the energy policies that regulate them and set price policies. As a result, the key risks for the stability of the ratings of oil and gas companies are the impact of the global recession on the Latin American sovereigns, and most rating actions, if taken, would be negative.

Although Latin America is better positioned to weather the current crisis than in previous downward cycles, several sovereigns saw their issuer default ratings (IDRs) negatively impacted by the global recession, lower commodity prices and reduced capital and financial flows. Fitch downgraded Venezuela's IDRs in December and in turn PDVSA's ratings were downgraded to 'B+' in line with the sovereign. In January, Pemex's Rating Watch Positive was changed to a Rating Outlook of Stable as a result of an expected increase in leverage, limited benefits from energy reform and the change in Mexico's Rating Outlook to Negative. Fitch also downgraded all Argentine oil and gas companies by one notch when the sovereign was downgraded in December.

Liquidity in the sector remains solid for the most part as companies improved their maturity schedules in the last few years of high hydrocarbon prices and most of them have access to the capital markets and/or significant support from the sovereign. The national oil companies (NOCs), Pemex and Petrobras, were among the first corporations to gain access in the international capital markets in 2009, issuing USD2 billion and USD1.5 billion, respectively, earlier this year. Ecopetrol is now attempting to issue a bond.

Specific cases of weak liquidity include Oceanografia, whose IDR was downgraded to 'CC' from 'B–' during July due to negative operating trends and extremely weak liquidity. Its ratings remain under Rating Watch Negative due to the difficulties it is facing in rolling over its short-term debt. Transportadora de Gas del Norte has been at 'D' since 2008 due to its inability to meet its financial obligations as a result of tariff limits and lack of natural gas exports from Argentina to Chile.

In 2009, significantly weaker hydrocarbon prices will lower free cash flow generation and deteriorate credit metrics across the oil and gas sector. A lower forward price curve will also negatively affect projected returns and could result in the postponement of projects that are necessary to offset production declines. In addition, the higher cost of capital and tighter credit markets are likely to drive downward revisions in national oil companies' capital expenditures and limit increases in leverage to finance such investments. Although these would not likely result in rating downgrades, they could have a negative impact on the future reserves and production prospects in the region.

In the first half of 2009 average (WTI) oil prices were approximately USD50 per barrel compared to USD100 per barrel in 2008, while average (HH) natural gas prices were approximately USD4 per one thousand cubic feet (mcf), a decline from USD9 per mcf in 2008. As a result of low oil prices, the EBITDA of NOCs decreased by 30%–60% during the first quarter of this year. Higher refining spreads and lower costs partially offset the drop in oil prices. Oil prices are now about USD65 per barrel, still well below the USD89 per barrel average in the second half of 2008. Costs and liabilities denominated in domestic currencies have decreased in USD terms due to currency devaluations across Latin America. Fitch expects these trends to continue in the second half of the year.

Credit metrics and sovereign ratings will be key factors to follow over the rest of 2009. An extended and sustained time period of oil prices below USD40 per barrel, which at this point seems unlikely, combined with higher leverage to finance capex would put pressure on ratings. Also, macroeconomic pressures on Argentina and Venezuela as well as the resolution of Mexico IDR's Rating Watch Negative are expected to drive any rating actions in those countries. Brazil, Chile and Colombia have more flexibility to weather the economic recession in 2009. Fitch projects double-digit EBITDA declines to continue in the sector except at oil and gas companies in Argentina whose revenues are expected to be more stable as companies realized a maximum oil price of USD42 per barrel in the past due to the fiscal regime in the country.

Oil and Gas Companies

(USD Million)

		Interest Coverage				Leverage				Liquidity	
		FFO Interest Coverage		EBITDA/Interest Expense		Total Debt/EBITDA		Total Net Debt / EBITDA		CFO/Debt (%)	
Company Name	IDR	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Companhia Petrolifera Marlim	BBB	1.6	3.1	(0.5)	2.8	(12.4)	2.2	(12.3)	2.1	33	34
Ecopetrol	BB+	N.A.	N.A.	N.A.	N.A.	—	—	(0.1)	(0.4)	4,794	124,800
Empresa Nacional del Petroleo	A	(10.1)	(10.1)	(3.3)	3.0	(2.7)	2.7	(2.5)	2.4	(24)	47
Oceanografia	CC	3.4	7.8	1.9	7.8	11.3	3.7	10.8	2.8	4	5
Pan American Energy	BB–	9.8	14.1	11.1	17.3	1.5	1.0	1.3	0.8	52	77
Petrobras Energia	BB–	6.1	5.0	6.0	4.7	2.2	2.6	2.0	2.2	32	26
Petroleo Brasileiro	BBB	17.5	12.8	18.9	13.9	1.0	1.3	0.8	1.0	85	67
Petroleos de Venezuela	B+	80.5	15.8	174.8	48.5	0.4	0.6	0.3	0.4	44	13
Petroleos Mexicanos	BBB	1.3	3.5	13.4	12.7	0.6	0.7	0.4	0.4	4	19
Tenaris	A–	14.5	9.6	21.8	12.6	0.7	1.2	0.3	0.9	49	50
Transportadora de Gas del Interior	BB	1.9	1.5	1.8	1.5	5.7	5.5	5.1	5.1	8	2
Transportadora de Gas del Norte	D	4.4	3.6	3.8	3.2	3.9	3.5	3.4	3.3	17	20
Transportadora de Gas del Sur	B	5.1	4.3	4.5	4.4	2.0	2.3	1.2	1.7	45	33
YPF	BB–	25.9	35.1	23.3	37.0	0.4	0.1	0.3	—	330	889
Median Measures		**5.1**	**5.0**	**6.0**	**7.8**	**0.9**	**1.8**	**0.6**	**1.4**	**39**	**33**

CFO – Cash flow from operations.
Source: Fitch Ratings.

Oil and Gas Companies

(USD Million)

	Cash + FFO/Short-Term Debt		Net Revenues	Operating EBITDA	Net Income	ROE (%)	Cash and Marketable Securities	Short-Term Debt	Total Debt with Equity Credit
Company Name	2008	2007	2008	2008	2008	2008	2008	2008	2008
Companhia Petrolifera Marlim	0.3	2.6	—	(51)	(34)	N.A.	2	203	633
Ecopetrol	56.6	2,177.0	17,225	6,667	5,910	38	940	125	125
Empresa Nacional del Petroleo	(2.4)	(6.8)	12,185	(704)	(958)	(367)	90	958	1,881
Oceanografia	0.5	1.7	292	60	28	13	28	191	677
Pan American Energy	2.0	4.5	3,290	1,182	441	10	298	620	1,790
Petrobras Energia	1.5	1.8	4,798	1,017	245	9	210	708	2,200
Petroleo Brasileiro	5.7	5.5	118,257	31,741	18,879	30	6,623	5,961	33,138
Petroleos de Venezuela	12.2	4.7	126364	24,967	9,356	14.7	4,483	1,677	15,095
Petroleos Mexicanos	1.5	4.4	119,044	76,936	(9,796)	(501)	8,341	6,661	42,843
Tenaris	2.4	3.0	12,132	4,064	2,125	24	1,585	1,736	2,977
Transportadora de Gas del Interior	N.A.	N.A.	240	197	(92)	(23)	116	N.A.	1,117
Transportadora de Gas del Norte	0.4	3.1	159	90	(11)	(3)	45	351	351
Transportadora de Gas del Sur	88.6	57.6	446	200	55	6	174	4	407
YPF	4.5	23.1	11,026	3,617	1,151	20	352	932	1,297
Median Measures	**2.0**	**4.4**	**7,912**	**1,100**	**150**	**10**	**254**	**708**	**1544**

N.A. – Not applicable.
Source: Fitch Ratings.

Pulp, Paper and Forest Products

Many negative rating actions have been taken in the past 12 months in this sector due to a variety of factors. In the second half of 2008, Fitch downgraded the ratings of Aracruz several notches as a result of extremely large losses on its derivative positions. VCP was downgraded due to its decision to purchase a controlling stake in Aracruz with a leveraging transaction. Durango was downgraded to 'D' from 'CC' during October following an announcement that it had entered debt restructuring agreements with its creditors. The ratings of Masisa and Copamex were downgraded during the first half of 2009 due to leverage levels that were above prior expectations.

Rating actions should continue during the next few months. The rating status of Aracruz ('BB–', Rating Watch Positive) and VCP ('BB+', Rating Watch Negative) should be resolved as the details of the capital structure of those merged companies is finalized. It is likely that Durango will emerge from its bankruptcy proceedings during this time period, which would also lead to a rating action.

More variables point toward negative rating actions during the balance of 2009 than positive rating actions. Among the key items that will be monitored are: the political and economic situation in Argentina and Venezuela; the overall health of the local markets in the region, particularly in Mexico; and excess capacity for panel products in Brazil. Event risk could also come into play as some of the better capitalized companies within the industry in Latin America may use this period of financial weakness by their competitors to pursue acquisitions.

There has been a sharp drop in demand for paper throughout the world due to the financial crisis, especially in Europe and the U.S. As a consequence, the demand for market pulp has declined and prices for softwood pulp have fallen to less than USD600 per ton in April from nearly USD900 as of September 2008, while hardwood pulp prices declined to less than USD500 ton, from more than USD800 per ton. The decline in prices has hit the results of market pulp produces such as Aracruz, VCP, Celulosa Arauco and CMPC. Combined, their EBITDA for the first quarter of 2009 was USD423 million, or 53% below the USD897 million generated in the first quarter of 2008.

Globally, the Latin American market pulp companies are low-cost producers. As a result, their sales volumes actually increased by 10% quarter-versus-quarter due to capacity closures throughout the rest of the industry. Amongst the companies listed above, CMPC has seen its operating income decline the least due to its product diversification, which includes leading positions in tissue, boxboard and newsprint in the region.

The weak housing market in the U.S. has led to poor demand for panels and lumber. This has hurt the results of Masisa and Celulosa Arauco. Panels have been further hindered by capacity expansions in Brazil. Producers of paper and corrugated box products in Mexico, Durango and Copamex, struggled during 2008 due to low prices and high costs.

The outlook for the rest of 2009 appears to be poor, and it is likely that the EBITDA of the aforementioned companies will be 40% to 60% lower than in 2008. Copamex and Durango will confront a very weak local market due to the recession in Mexico, as well as the poor economic situation in the U.S. that will lead to exports from the U.S. into Mexico by larger global competitors. Pulp producers will continue to suffer from weak paper demand in the U.S. and Europe, while manufacturers of boards and lumber will continue to suffer from depressed housing starts in the U.S.

Pulp, Paper and Forest Products Companies

(USD Million)

		Interest Coverage				Leverage				Liquidity	
		FFO Interest Coverage		EBITDA/Interest Expense		Total Debt/EBITDA		Total Net Debt/ EBITDA		CFO/Debt (%)	
Company Name	**IDR**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Aracruz Celulose	BB–	5.7	8.5	6.3	8.8	5.6	1.6	5.0	1.0	13	37
Celulosa Arauco y Constitucion	BBB+	6.0	7.0	6.9	7.5	2.2	1.9	2.1	1.7	31	41
Copamex	B+	5.4	2.1	2.2	2.7	3.3	3.0	3.2	2.7	69	21
Corporacion Durango	D	1.1	1.3	0.3	1.4	27.2	5.8	25.7	5.3	(2)	6
Empresas CMPC	A–	9.5	11.5	10.1	11.4	2.1	1.8	1.8	1.6	26	36
Empresas Copec	BBB+	7.2	8.7	8.0	9.4	1.9	1.8	1.6	1.4	44	31
Masisa	BB+	1.7	4.9	4.1	4.4	4.0	3.7	3.7	3.5	1	22
Votorantim Celulose e Papel	BB+	2.9	3.1	1.8	3.0	5.1	3.6	4.3	1.9	19	20
Median Measures		**5.6**	**6.0**	**5.2**	**6.0**	**3.7**	**2.5**	**3.5**	**1.8**	**22**	**26**

CFO – Cash Flow from Operations.
Source: Fitch Ratings.

Pulp, Paper and Forest Products Companies

(USD Million)

	Cash + FFO/ Short-Term Debt		Net Revenues	Operating EBITDA	Net Income	ROE (%)	Cash and Marketable Securities	Short-Term Debt	Total Debt with Equity Credit
Company Name	**2008**	**2007**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**
Aracruz Celulose	3.0	14.3	1,911	688	(1,239)	(130)	429	308	3,875
Celulosa Arauco y Constitucion	2.9	4.5	3,689	1,138	479	8	150	335	2,504
Copamex	1.5	0.5	5,847	432	75	2	74	647	1,436
Corporacion Durango	0.1	5.8	759	19	(207)	(91)	29	518	529
Empresas CMPC	2.2	2.7	3,577	809	247	5	243	427	1,668
Empresas Copec	2.9	2.7	12,670	1,478	596	8	432	542	2,765
Masisa	0.3	0.8	1,054	176	44	3	56	263	702
Votorantim Celulose e Papel	0.8	2.8	1,366	410	(405)	(16)	323	928	2,087
Median Measures	**1.8**	**2.8**	**2,744**	**560**	**59**	**2**	**197**	**472**	**1,878**

Source: Fitch Ratings.

Telecommunications

Credit ratings have remained stable over the past six months for most telecommunications companies in Latin America. With the exception of Transtel, which defaulted last December and is in the process of restructuring its debt, most fixed and wireless companies have strong enough financial profiles to face current conditions.

Wireless operators continued to grow during the first six months of 2009, but at a more moderate pace than previous years, capitalizing on high investment plans over the past few years. Free cash flow trends continue to improve with lower investments and moderately growing revenues and EBITDA as value added services gain importance.

Fixed operators experienced mixed operating results during the first half of the year but continued to generate strong free cash flow. Their negative results were driven by the economic condition of their markets and traffic migration trends to mobile networks from fixed networks. In contrast to Incumbent Local Exchange Carriers (ILECs) Telefonica del Peru and Telefonica Chile, some operators such as Telefonica de Argentina (TASA), Telecom Argentina (TEO) and Telmex are still not allowed to offer video services, which can underpin revenues by adding video to its bundle offerings.

For the sector, operating performances for the second half of the year are expected to be better than the first half due to a moderate improvement in the economic environment. Trends for fixed operators should be limited by competition from cable operators and regulatory issues. Despite competitive pressures related to increased offerings from pay-television providers and service substitution, ILECs should continue to generate strong cash flow that should enable them to maintain a strong credit profile. Fixed-line business is expected to continue delivering stagnant growth or slight declines in revenues that should be compensated with increased broadband and, where allowed, with pay-television services.

Regarding company specific risk, Telefonos de Mexico (Telmex) continues to face increased regulatory risk with the schedule of the interconnection and interoperability plan that includes unbundling of the network, local service areas reduction and dominance ruling on top of number portability introduction last year. Outside of Argentina, most companies' balance-sheet debt is denominated or hedged to local currency to match revenues and cash flow. This risk makes both TASA and TEO very vulnerable to a sharp devaluation of the Argentine peso versus the U.S. dollar, despite their strong capital structures.

Another factor that could negatively affect free cash flow or leverage would be the spectrum auctions related to Wimax or 3G. Probable upcoming auctions include Mexico, and possibly Peru and Chile. Capital expenditures are projected to be manageable during 2009. With nearly 30% to 70% of capital expenditure linked to the U.S. dollar, the depreciation of many currencies in the region has made many projects not feasible.

Telecommunications Companies

(USD Millions)

		Interest Coverage				Leverage				Liquidity	
		FFO Interest Coverage		EBITDA/Interest Expense		Total Debt/EBITDA		Total Net Debt/ EBITDA		CFO/Debt (%)	
Company Name	**IDR**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
America Movil	A–	13.5	14.3	15.3	16.4	0.9	0.8	0.7	0.7	96	101
Compania de Telecomunicaciones de Chile	BBB+	7.1	12.3	8.3	15.0	1.4	1.6	1.2	1.3	47	55
Digicel Group Limited	CCC+	2.3	2.0	2.4	1.8	4.5	6.5	4.1	6.1	12	7
Digicel Limited	B–	4.1	2.6	5.8	2.8	2.2	3.3	1.9	3.0	23	15
Empresa de Telecomunicaciones de Bogota	BBB–	16.5	19.6	14.2	19.0	0.6	0.4	0.3	0.1	142	276
Tele Norte Leste Participacoes	BBB–	5.8	9.2	4.8	10.0	2.7	1.6	1.3	0.5	35	58
Telecom Argentina	B	15.3	9.3	14.1	8.6	0.6	1.0	0.3	0.7	168	84
Telecom Personal	B	17.9	12.7	17.8	11.9	0.4	0.6	0.1	0.4	204	128
Telefonica de Argentina	B+	11.2	5.1	9.2	4.4	0.7	1.2	0.5	0.9	145	70
Telefonica del Peru	BBB	5.9	8.0	9.2	7.4	1.5	2.7	1.4	2.4	27	27
Telefonos de Mexico	A–	5.6	9.5	7.5	9.4	1.5	1.5	1.4	1.4	40	56
Transtel Intermedia	D	N.A.	0.5	N.A.	1.5	N.A.	5.1	N.A.	5.1	N.A.	2
Median Measures		**7.1**	**9.3**	**9.2**	**9.0**	**1.4**	**1.6**	**1.2**	**1.1**	**47**	**57**

CFO – Cash flow from operations. N.A. – Not applicable.
Source: Fitch Ratings.

Telecommunications Companies

(USD Million)

	Cash + FFO/ Short-Term Debt		Net Revenues	Operating EBITDA	Net Income	ROE (%)	Cash and Marketable Securities	Short-Term Debt	Total Debt with Equity Credit
Company Name	**2008**	**2007**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**
America Movil	5.9	5.7	31,033	12,328	5,341	50	1,632	1,974	10,599
Compania de Telecomunicaciones de Chile	2.5	2.6	1,313	521	34	2	122	206	742
Digicel Group Limited	2.5	7.6	1,735	641	34	(4)	240	230	2,885
Digicel Limited	3.3	153.5	1,735	649	161	(198)	228	172	1,458
Empresa de Telecomunicaciones de Bogota	8.4	24.8	754	292	104	9	103	50	179
Tele Norte Leste Participacoes	4.6	5.7	10,195	3,302	628	13	4,639	1,749	8,876
Telecom Argentina	3.5	2.7	3,354	1,053	304	26	326	392	591
Telecom Personal	25.1	14.3	2,207	545	223	43	159	27	226
Telefonica de Argentina	33.1	3.5	1,505	558	107	15	111	22	382
Telefonica del Peru	1.9	1.8	2,390	934	167	13	92	302	1,358
Telefonos de Mexico	2.1	5.0	11,142	5,177	1,811	62	453	1,690	7,908
Transtel Intermedia	N.A.	(1.2)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Median Measures	**3.5**	**5.3**	**2,207**	**649**	**167**	**13**	**228**	**230**	**1,358**

N.A. – Not applicable.
Source: Fitch Ratings.

Transportation

The international financial crisis has directly impacted load factors and yields for airlines, railroads and bus companies in the region. These two factors, in addition to restricted credit availability, have resulted in many negative rating actions. The outbreak of the H1N1 virus could be a final factor that drives defaults.

In the airline industry during the first half of 2009, Fitch downgraded the ratings of the largest Brazilian airlines, TAM S.A. (TAM) and GOL Linhas Aéreas Inteligentes S.A. (GOL), to 'BB–' and 'B+', respectively, due to the challenging operating environment resulting from slowdown in Brazil's air traffic and increasing competition. Higher liquidity and refinancing risks, particularly in the case of GOL, were factored into the recent rating actions. TAM's Negative Outlook was maintained, while GOL was placed on Rating Watch Negative.

The IDR of LAN Airlines, S.A. (LAN) was affirmed at 'BBB', reflecting the company's strong business position, mainly supported by a stable demand from its domestic markets and lower fuel costs, which allowed the company to compensate for the decline in its cargo business. LAN's adequate liquidity position was further factored into the rating affirmation.

During the first quarter of 2009, in the railroad segment, Fitch revised Kansas City Southern de Mexico, S.A. de C.V.'s (KCSM) Rating Outlook to Negative from Stable. This rating action was primarily driven by a severe contraction of the Mexican economy, which resulted in a 26% decline in the shipment of cargo from most of the sectors served by KCSM. These sectors — commodities, automotive, and consumer products — are very dependent upon a strong U.S. economy.

In the bus transportation segment, Fitch downgraded the ratings of Grupo Senda due to the company's lower-than-expected EBITDA during 2008. The company's poor performance was due to its aggressive marketing and investment strategies, increased competition and a weak economy. Grupo Senda's ratings were placed on Rating Watch Negative, reflecting the adverse economic environment facing Grupo Senda's operations during 2009, particularly in its personnel transportation segment, as well as higher refinancing risks and liquidity pressures. The H1N1 virus has also hurt the company as it has led many people in Mexico to avoid bus transportation.

There is a dearth of signs that would point toward a quick recovery of credit quality for companies in these transportation segments. More variables point toward negative rating actions during the rest of 2009. Among the key factors that will be monitored are: (i) trends in passenger traffic, cargo volumes, yields and load factors; (ii) fuel price volatility and its impact on companies' operating cash flow; (iii) the effectiveness of airlines' strategies to rebuild their hedging positions to protect against rising fuel cost again; (iv) performance of the local currencies (Mexican peso and Brazilian real) and their effect on companies' cost and debt structure, which are mostly U.S. dollar-denominated; and (v) capital market access.

Transportation Companies

(USD Million)

Company Name	IDR	Interest Coverage: FFO Interest Coverage 2008	2007	EBITDA/Interest Expense 2008	2007	Leverage: Total Debt/EBITDA 2008	2007	Total Net Debt/ EBITDA 2008	2007	Liquidity: CFO/Debt (%) 2008	2007
America Latina Logistica	B+	1.5	3.2	1.6	2.0	4.2	5.8	2.3	3.5	11	19
GOL Linhas Aereas Inteligentes	B+	(0.5)	1.4	0.2	0.5	74.1	39.4	65.1	18.3	3	(2)
Grupo Ferroviario Mexicano	BBB–	6.8	6.1	7.4	7.1	1.2	2.0	1.1	1.6	69	26
Grupo Senda Autotransporte	B–	1.3	2.3	1.7	2.3	3.9	3.3	3.6	3.0	8	16
Kansas City Southern de Mexico	BB–	2.4	4.1	3.7	3.3	3.0	2.7	2.9	2.7	13	20
LAN Airlines	BBB	9.5	8.9	8.7	7.4	2.9	2.9	2.3	2.1	22	24
TAM	BB–	4.5	1.9	3.1	1.4	5.4	7.8	4.2	(0.9)	12	0
Median Measures		**2.4**	**3.2**	**3.1**	**2.3**	**3.9**	**3.3**	**2.9**	**2.7**	**12**	**19**

CFO – Cash flow from operations.
Source: Fitch Ratings.

Transportation Companies

(USD Million)

Company Name	Cash + FFO/ Short-Term Debt 2008	2007	Net Revenues 2008	Operating EBITDA 2008	Net Income 2008	ROE (%) 2008	Cash and Marketable Securities 2008	Short-Term Debt 2008	Total Debt with Equity Credit 2008
America Latina Logistica	4.0	3.6	1,365	596	96	9	1,142	331	2,513
GOL Linhas Aereas Inteligentes	(0.0)	1.6	3,486	20	(674)	(146)	179	418	1,472
Grupo Ferroviario Mexicano	7.6	2.4	1,082	335	161	22	34	40	398
Grupo Senda Autotransporte	0.9	2.3	278	55	(49)	(56)	14	27	213
Kansas City Southern de Mexico	16.5	1,048.0	819	320	103	7	39	10	958
LAN Airlines	5.0	6.0	4,534	719	336	30	410	222	2,056
TAM	3.9	2.8	5,764	647	(740)	(271)	827	401	3,517
Median Measures	**4.0**	**2.8**	**1,365**	**335**	**96**	**7**	**179**	**222**	**1,472**

Source: Fitch Ratings.

Other Companies' Credit Outlook

Alto Palermo S.A. (APSA) — 'B' IDR; Stable Outlook

- Sector: Property/Real Estate
- Country: Argentina
- 'Operations consist primarily of the acquisition, development and management of shopping centers in Argentina'

APSA's international ratings were downgraded on Dec. 18, 2008, mirroring the sovereign rating downgrade of Argentina by Fitch on the same day. The company's international rating at the sovereign level is supported by its strong business position in Buenos Aires with a gross leasable space of over 224,569 square meters, which it is expanding substantially every year. December 2008's total debt of USD917 million and cash and marketable securities of USD79 million contributed to a net-debt-to-EBITDA ratio of 5.2x, a substantial increase from 1.8x at fiscal year-end June 2008. The worsening credit metrics reflect the adverse economic environment in Argentina's retail sector and the challenges of rolling out new developments during subdued consumer demand and raising rents.

Braskem S.A. — 'BB+' IDR; Stable Outlook

- Sector: Petrochemicals
- Country: Brazil
- 'Largest petrochemical company in Latin America'

Braskem's substantial liquidity position of BRL2.9 billion as of March 2009 fundamentally supports its rating. Braskem has a manageable debt amortization profile of BRL2.0 billion of short-term debt with no significant bullet maturities, although its credit metrics are weak for the rating category. It also has a solid, albeit volatile cash flow. Braskem's performance is strongly reliant on the Brazilian economy with approximately 85% of its revenue generated by its domestic market. However, domestic market prices are benchmarked to the international market and therefore reflect the globally subdued prices. Fitch expects a decline in the Brazilian economy of around 1.0% in 2009. Cost savings are expected to benefit the company following consolidation of Ipiranga Group's petrochemical assets and the expected outcome of negotiations with its main raw material supplier of naphtha, Petrobas, which could have a positive impact on future cash flow generation.

Companhia de Saneamento Basico do Estado de Sao Paulo (Sabesp) — 'BB' IDR; Positive Outlook

- Sector: Water Utility
- Country: Brazil
- 'Operator of public water and sewage service systems in the State of São Paulo'

Sabesp has a concentration of debt maturities over the next three years totaling BRL3.5 billion, of which 1.3 billion is short term and a moderate liquidity position. As of March 2009, the company reported total debt of BRL6.7 billion and cash and equivalents of BRL802 million. The expected free cash flow generation indicates that the company will have to refinance its short-term debt commitments. Sabesp's financial profile is sound, consistent with the ratings at this level, although credit measures are affected by the devaluation of the BRL. Mitigating these factors, Sabesp benefits from its near monopoly position, as well as economies of scale obtained as the largest water utility company in the Americas when measured by number of customers.

Controladora Comercial Mexicana, S.A.B. de C.V. (CCM) — 'D' IDR

- Sector: Retailing
- Country: Mexico
- 'One of the largest Mexican food retailers'

CCM defaulted on its financial obligations at the end of 2008 due to massive losses on derivative contracts that were linked to the U.S. dollar. The company announced that it had withdrawn its appeal for bankruptcy protection during March 2009 in an effort to facilitate negotiations with creditors. At the end of the first quarter, CCM had USD106 million of cash and marketable securities and USD2.0 billion of short-term debt, including a USD923 million provision to cover expected losses from derivative contracts. This value is substantially below the USD2.2 billion initial claim of CCM's derivative counterparties. In addition to the derivative claims, the company's unsecured debt consists of senior notes due 2015 (USD200 million), senior notes due 2027 (MXP3,000 million) and unsecured debentures due 2010 (MXP105.6 million). CCM also has about USD480 million of bank debt.

Distribucion y Servicios D&S S.A. (D&S) — 'BBB' IDR; Rating Watch Evolving

- Sector: Retailing
- Country: Chile
- 'Largest supermarket operator in Chile'

D&S was placed on Rating Watch Evolving (RWE) on Dec. 23, 2008, following the tender offer launched by Wal-Mart Stores, Inc. (Wal-Mart) to acquire 58.28% of Chile's largest supermarket chain. Wal-Mart's long-term international IDR is rated 'AA' by Fitch. The transaction was approved on Jan. 22, 2009. The RWE will be resolved once the impact on D&S's financial strategy going forward has been outlined by the new owners. At the end of December 2008, the company operated a total of 197 stores in Chile under four store formats generating USD4.1 billion of revenue. D&S finances customer purchases through its own credit card (Presto), which by the end of 2008 accounted for 1.6 million outstanding accounts. D&S also has a fully owned real estate subsidiary, which manages most of the company's locations while it generates 40% of its revenues from a diversified portfolio of tenants, mainly related to its ten neighborhood malls. D&S's current credit ratios are pressured for the assigned rating categories, with an adjusted debt/EBITDAR ratio of 4.6x.

Diagnosticos da America S.A. (DASA) — 'BB' IDR; Stable Outlook

- Sector: Healthcare
- Country: Brazil
- 'Largest private medical diagnostic company in Brazil'

DASA is exposed to currency risk due to its revenues being generated in BRL, with approximately 72% of DASA's debt being denominated in USD. The company has attempted to hedge this risk with swap transactions that cover interest payments for the next four years. Fiscal 2008's total consolidated debt of BRL1.04 billion increased versus 2007's due to the issuance of a USD250 million bond in May 2008 and the subsequent devaluation of the BRL versus the USD. Cash and marketable securities at the end of the year were BRL492 million. Liquidity in the first quarter of 2009 reduced to BRL395 million, with total debt also reducing to BRL970 million. DASA faces debt amortizations of BRL210 million during 2009, BRL142 million during 2010 and 2011. The affirmation of DASA's ratings in June 2009 is supported by its leading position in the Brazilian medical diagnostics industry and conservative management of its credit profile. The company is present in various segments of the healthcare market and has a diversified customer base.

Grupo Posadas, S.A.B. de C.V. — 'B+' IDR; Negative Outlook

- Sector: Property/Real Estate
- Country: Mexico
- 'Largest hotel operator in Mexico'

In May 2009, Posadas's ratings were downgraded and the Negative Outlook was maintained following expectations of increased deterioration in operating performance and financial indicators derived from the current adverse economic environment. Further exacerbating factors were the negative effects on Mexico's travel and tourism following the outbreak of the H1N1 virus. The company's financial profile has also been impacted negatively by the depreciation of the MXN against the USD and increased indebtedness related to strengthening the company's liquidity position due to margin calls on derivative instruments. As of March 31, 2009, total debt to EBITDAR for the last 12 months was 4.0x compared to 3.2x for the same period in 2008. Total on-balance-sheet debt reached USD396 million, of which 94% was dollar-denominated and the remainder in pesos. Short-term debt represented 22% of total debt, excluding USD136 million of off-balance-sheet debt related to hotel leases. Posadas had a tight liquidity position of USD44 million in cash with maturities of USD87 million due in the next 12 months.

Inversiones y Representaciones S.A. (IRSA) — 'B' IDR; Stable Outlook

- Sector: Property/Real Estate
- Country: Argentina
- 'Leading real estate company in Argentina dedicated to office rental and residential real estate, hotel development and shopping centers'

IRSA owns a 61.5% stake in APSA (65.2% fully diluted), and its international ratings were also downgraded on Dec. 18, 2008, as a result of the sovereign rating downgrade of Argentina. Total debt of USD1.4 billion as of December 2008 remains unchanged from 2007 levels. However, cash and marketable securities of USD154 million depleted substantially from USD709 million in 2007, increasing the net-debt-to-EBITDA ratio to 4.3x from 2.1x, respectively. Operational challenges and business risks for the company are the same as those for APSA, although IRSA benefits from more diversification in its real estate portfolio.

Kimberly-Clark de Mexico, S.A.B. de C.V. (KCM) — 'A' IDR; Stable Outlook

- Sector: Consumer
- Country: Mexico
- 'Largest Mexican manufacturer and marketer of paper-based consumer products'

KCM's USD250 million senior notes are due to mature in August 2009, and the company plans to refinance the notes using the proceeds of its fourth and fifth CB issuances totaling MXP3.5 billion. The company's ratings were affirmed in March 2009 as a result of its stable cash flows, solid financial profile and incorporate exposure to cyclicality risk. KCM's dominant business position in Mexico, along with its comprehensive brand portfolio, low-cost structure and extensive distribution network, ensure the company is well placed in its domestic market. In addition, KCM has access to parent company Kimberly-Clark Corporation's technology and research development capabilities. KCM has consistently demonstrated healthy EBITDA margins at approximately 30% and has a strong liquidity position of around USD220 million along with substantial non-committed credit lines in excess of USD250 million.

Redecard S.A. — 'BBB' IDR; Stable Outlook

- Sector: Financial Services
- Country: Brazil
- 'Captures, transmits, processes and settles transactions for merchants performed through leading credit and debit cards in Brazil'

As the only acquirer and payment processor of credit and debit cards for leading providers in Brazil, Redecard's ratings were assigned in March 2009. The company consistently demonstrates strong margins as a result of its uncontested position within Brazil and has a substantial liquidity position. Fiscal 2008 cash and marketable securities of BRL125 million cover 64.4% of short-term debt. The company's rating also reflects its recurring and predictable revenues from a diversified base of affiliated merchants. Redecard's business has demonstrated growing, sustainable and strong cash generation capacity as the migration from checks to electronic means of payment gradually takes place. In 2008 the company exhibited low total debt to adjusted EBITDA of just 0.1x.

SANLUIS Corporacion S.A.B. de C.V. IDR — 'CC' IDR; Rating Watch Negative

- Sector: Auto & Related
- Country: Mexico
- 'World's largest producer of leaf springs suspension components'

SANLUIS ended March 2009 with USD25 million of cash and marketable securities and USD27 million of short-term debt. Liquidity and refinancing risks remain extremely high. Between April 2009 and June 2010, the company faces debt maturities of about USD220 million. The company's business environment is extremely weak and cash flow generation will be extremely poor in 2009 and 2010. First quarter 2009 revenues were 43% lower than in 2008, while LTM EBITDA dropped by 58% to USD30 million.

Due to the difficult business environment during 2008, the company was not in compliance with the requirements of its senior secured loans. During the fourth quarter of 2008, SANLUIS renegotiated these loan agreements (the Suspension Group debt and the Fundimark and Rassini Frenos loans). In the case of the Suspension Group debt, the amortization schedule was renegotiated but the final maturity remains as June 30, 2010.

Other Companies

(USD Million)

		Interest Coverage				Leverage				Liquidity	
		FFO Interest Coverage		EBITDA/Interest Expense		Total Debt/ EBITDA		Total Net Debt/ EBITDA		CFO/Debt (%)	
Company Name	**IDR**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Braskem	BB+	3.0	5.2	4.3	5.6	3.9	2.9	3.0	2.1	30	34
Cia. de Saneamento Basico do Estado de São Paulo	BB	4.4	6.1	3.4	5.3	1.9	2.3	1.7	2.1	46	36
Controladora Comercial Mexicana	D	5.8	12.9	4.2	9.5	2.5	1.3	2.1	0.8	(15)	59
Diagnosticos da America	BB	6.2	5.7	3.1	4.6	3.4	2.5	1.8	2.2	41	27
Distribucion y Servicio D&S	BBB	7.1	5.0	5.9	5.2	3.6	3.6	3.4	3.3	3	5
Grupo Posadas	B+	5.0	4.7	3.6	3.8	2.9	2.9	2.4	2.6	34	12
Kimberly-Clark de Mexico	A	10.6	11.4	11.2	12.2	0.9	1.1	0.6	0.7	78	73
Redecard	BBB	34.9	18.9	53.2	27.7	0.1	0.3	—	0.3	579	44
SANLUIS Corporacion	CC	1.4	1.8	1.2	1.9	5.9	3.1	5.3	2.8	21	21
Median Measures		**5.8**	**5.7**	**4.2**	**5.3**	**2.9**	**2.5**	**2.1**	**2.1**	**34**	**34**

CFO – Cash flow from operations.
Source: Fitch Ratings.

Other Companies

(USD Million)

	Cash + FFO/ Short-Term Debt		Net Revenues	Operating EBITDA	Net Income	ROE (%)	Cash and Marketable Securities	Short-Term Debt	Total Debt with Equity Credit
Company Name	**2008**	**2007**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**
Braskem	2.0	3.8	9,773	1,316	(1,357)	(85)	1,274	927	5,198
Cia. de Saneamento Basico do Estado de São Paulo	2.9	3.9	3,456	1,545	549	12	270	626	2,966
Controladora Comercial Mexicana	0.7	N.A.	4,774	363	(658)	(60)	171	884	920
Diagnosticos da America	5.3	2.1	619	134	(7)	(3)	213	82	449
Distribucion y Servicio D&S	0.8	0.6	4,096	314	40	4	50	451	1,119
Grupo Posadas	2.8	5.0	617	137	(56)	(17)	61	77	392
Kimberly-Clark de Mexico	3.0	112.7	2,065	637	297	47	220	258	597
Redecard	8.9	1.9	1,121	1,094	651	208	54	84	84
SANLUIS Corporacion	1.3	1.2	623	39	(48)	(37)	24	28	229
Median Measures	**2.8**	**2.9**	**2,065**	**363**	**(7)**	**(3)**	**171**	**258**	**597**

N.A. – Not applicable.
Source: Fitch Ratings.

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