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Industry Report Card:

Latin American Building Materials Companies Continue Growing

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Industry Credit Outlook

In line with economic activity in the country, total cement shipments in Argentina grew by about 9% in the first half of 2007 (compared with the equal period of 2006). Standard & Poor's Ratings Services expects growth to continue during 2007, though at slower rates than during 2003-2006, given the more moderate growth in the residential construction market and the still-limited access to long-term financing. During the first half of 2007, cement companies continued to face margin pressures due to additional operating cost increases (mainly energy, gas, and transport), and to the increased use of alternative fuels resulting from the natural gas shortages during this winter. In this context, industry profitability and cash-flow generation would mainly depend on the domestic market performance and the companies' flexibility to transfer cost increases to final prices.

In line with our expectations, residential housing and government spending continue to underpin cement demand growth in the Mexican market. In particular, the government's efforts to increase affordable housing availability have led to high single-digit growth in ready-mix volumes in 2007. Given the recent developments in several industries, particularly oil and gas, we are following the industry developments in Venezuela closely. In addition to the "forced acquisition" of a Colombian cement producer, authorities recently indicated that they are reviewing one of Cemex's facilities due to environmental concerns.

Issuer Review

Table 1

Company/Rating*/Comments	Country	Analyst
Camargo Correa Cimentos S.A. (CCC) (BB/Stable/--) CCC has been presenting weakened cash flow generation since 2005 because of the drop in cement prices caused by fierce competition in the southeastern region of Brazil, where the company concentrates its operations. Besides operational cash flow, CCC also receives relevant dividend inflow from the companies in which it has participations (Usiminas, Loma Negra, and Itaúsa--total of \$67 million for 2007). Part of the resources to pay off the first series of debentures due December 2007 (\$50 million) will come from intercompany loans from Loma Negra (\$20 million) and from CCSA.	Brazil	Eduardo Chehab
Cemex S.A.B de C.V. (BBB/Negative/--) Cemex will likely come through on its commitment to restoring its financial metrics within 24 months of the acquisition. This will be achieved by committing the bulk of its operating cash flow and asset sales to reduce the significant incremental debt required for this acquisition. Cemex may ultimately acquire up to 100% of Rinker's shares, depending on the results of the unconditional offer, resulting in incremental debt between \$7.6 billion and \$15.2 billion.	Mexico	José Coballasi
Industrias Unidas S.A. de C.V. (Iusa) (B/Stable/--) Although the volume sales remained relatively strong during the first half of 2007, the higher cost of copper, compared with previous year, diminished Iusa's profitability. The total debt-to-EBITDA and EBITDA-to-interest expenses deteriorated compared with year-end 2006 numbers, to 6.2x and 1.3x from 3.5x and 2.7x, respectively. We expect better results for the second half of the year due to recovery from the normal lag between inventory cost and the price of its final product.	Mexico	Juan Pablo Becerra
Loma Negra C.I.A.S.A. (B+/Stable/--) Still favorable demand fundamentals allowed Loma Negra to increase volume sales and EBITDA generation by around 14% and 6%, respectively, during the nine month period ended May 2007. On July 13, 2007, Loma Negra granted a \$20 million	Argentina	Ezequiel Gómez

intercompany loan to its shareholder, Camargo Correa Cimentos S.A., and in September 2007, the company's board of directors approved an early dividend payment of approximately \$40 million. These transactions would be funded with cash holdings (which as of May 2007 amounted to \$113 million), without increasing debt levels. At the same time, we expect Loma Negra to maintain an adequate liquidity position, given its good cash-flow generation and manageable debt maturity schedule.

Cáceres

Vitro S.A.B. de C.V. (B/Stable/--)

Vitro's performance has been slightly weaker than our expectations of a funds from operations (FFO)-to-total debt ratio of 15%. Notwithstanding, the group's liquidity remains strong. As of the second quarter, the company showed \$177 million in cash and equivalents, which compares favorably to short-term debt of \$45 million. The company's operations were temporary suspended due to explosions at Pemex's gas pipelines in central Mexico. Management estimates that the impact will be a reduction of \$3.7 million in EBITDA, which is manageable relative to a quarterly EBITDA generation of \$90 million.

Mexico

Juan Pablo Becerra

*Ratings are as of Aug. 20, 2007.

Quarterly Rating Activity

Table 2

Recent Rating/Outlook/CreditWatch Actions*				
Issuer	To	From	Date	Reason
Cemex S.A.B. de C.V.	BBB/Negative/--	BBB/Watch Neg/--	June 14, 2007	The action followed a review of Cemex's prospects and its announcement that it has achieved majority ownership (50.34% as of June 7, 2007) of Rinker Group Ltd. (Rinker).
Grupo Cementos de Chihuahua S.A.B. de C.V.	(NR)	(mxA--/Stable/--)	Aug. 23, 2007	The ratings were withdrawn at management's request.
Industrias Unidas S.A. de CV.	B/Stable/--	B/Negative/--	Nov. 22, 2006	The rating action follows the successful issuance of IUSA's \$200 million senior unsecured notes due 2016. Proceeds from the notes will be used to refinance existing debt.
Vitro S.A.B. de C.V.	B/Stable/--	B-/Negative/--	Jan. 15, 2007	The rating action reflects our expectation that the proposed issue and tender offer will be completed, and that the transactions will improve Vitro's liquidity through a manageable maturity schedule.

*Actions taken since the last report card dated Sept. 27, 2006.

Selected Articles

Table 3

Previously Published Related Articles*	
Article title	Publication date
Research Update: Camargo Correa S.A., Camargo Correa Cimentos S.A. Ratings Affirmed; Outlook Stable	July 23, 2007
Research Update: Cemex And Rinker Ratings Affirmed, Outlook Negative	June 14, 2007
Cemex S.A.B. de C.V.	July 10, 2007
Fundamento: Grupo Cementos de Chihuahua, S.A. de C.V.	March 30, 2007
Research Update: Industrias Unidas S.A. De C.V. Outlook Revised To Stable From Negative	Nov. 22, 2006
Industrias Unidas S.A. de C.V.	March 20, 2007
Loma Negra C.I.A.S.A.	March 15, 2007
Summary: Loma Negra C.I.A.S.A.	March 15, 2007
Research Update: Vitro S.A.B. de C.V. Rating Raised To 'B'; Proposed Bonds Rated 'B'; CCR Outlook Stable	Jan. 15, 2007
Vitro S.A.B. De C.V.	June 6, 2007

*Articles are available to subscribers on RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com and for national scale ratings on www.standardandpoors.com.ar, www.standardandpoors.com.br, and www.standardandpoors.com.mx.

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Table 4

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