Hi Matt,

Below are the questions for Paul Marty:

1. Please describe any adjustments that Spread Research made to any line item in CEMEX or PETROBRAS financial statements when each company switched to “IFRS” accounting standards from their home country’s accounting standards.  Specifically, what was the thought process behind the adjustments that were made affecting major credit metrics such as EBITDA, CFFO, FCF, Operating FCF, Revenue, Interest Expense, Total Debt, Long-term Debt, and Capital Structure.

When a company reports under both local GAAP and IFRS, we generally use IFRS for comparability purposes as most companies report under IFRS. When only accounts in local GAAP are available, we tend not to retreat those. Our key adjustments are as follows:

* We routinely adjust EBITDA and cash-flow for non-recurring, unusual or exceptional items that could distort credit metrics (e.g. gain/loss on asset sale, etc.).
* We add to debt the amount required (if any) for pension plans to be funded at a minimum of 80% (we assume a similar minimum funding requirement to that under the US Pension Protection Act 2006). Please note that we are currently reviewing this approach and are likely to move towards adjusting for 100% of the pension deficit (computed as Projected Benefit Obligation less fair value of plan assets).
* We bring back on balance sheet the debt associated with operating leases by using the net present value (NPV) of commitments relative to future operating lease payments at the latest balance sheet date, based on a notional discount rate of 7%. Accordingly, we compute EBITDAR by adding back to EBITDA the annual lease payment; and adjusted interest by adding to interest the portion of the annual lease payment that relates to interest (1/3).
* We typically adjust debt for on-balance sheet items such as the equity component of a convertible bond, as well as for other off-balance sheet liabilities such as debt guarantees, securitization, etc. Operational guarantees (e.g. performance bonds) are not adjusted for.

1. Given prior notice, would a client be able to speak to a research analyst regarding any Proforma adjustments that were made historically? Specifically, why were the adjustments made and what was the reasoning behind making the necessary adjustments.

Yes indeed. We look at pro-forma accounts following a transaction (acquisition or disposal) that changes significantly the shape of a business. When a transaction is not highly material, we do capture it through our financial projections but we generally do not retreat historical accounts.

1. Please describe the process of how each model is updated and where the underlying information is coming from.  Are there formal visits that are made to CEMEX and PETROBAS where research analysts meet with management? Or do you stream financial statements from each company’s website and participate on earnings calls?

We base our models on the information that is publicly released and listen to earnings calls for all companies. In addition, we meet physically with managements when possible (especially for European HY issuers) and alternatively perform one-to-one confcalls with a large number of companies; and we subsequently publish reports with our key takeaways on our website. Re CEMEX and PETROBRAS, we have not done that yet.

1. Why are there only annual and half-annual credit metrics listed under each country’s financial model on Spread Research’s website?  Would a client be able to obtain the same credit metrics on a quarterly basis with YoY % Change?

When we started the coverage of the Latam universe, we input in our financial model historical data on an annual and half-annual basis only due to time constraints; however since Q3 2011 we have started to input quarterly data as well, so you will find those available going forward.

1. Given prior notice, would a client be able to speak to a research analyst, covering the company of interest, regarding any issue?  Specifically, after each fiscal quarter or after any major announcement.

Yes.