

# Rating report

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## GRUPO ARGOS S.A.

**Technical Committee:** May 13, 2016  
**Minute number:** 947

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## GRUPO ARGOS S.A.

PERIODIC REVIEW	
ISSUER	AA+
Amounts in millions of Colombian pesos (COP) as of December 31, 2015	Rating history:
Assets: COP 41,775,013. Liabilities: COP 18,885,214. Equity: COP 14,792,611. Minority interest: COP 8,097,188. EBITDA: COP 2,640,274. Controlled net income: COP 301,000.	Periodic review May/2015: 'AAA' Negative Outlook Initial rating May/2014: 'AAA'

## INTRODUCTION

According to what is set forth in Law 1314 of 2009 and its regulatory decrees, industrial companies are required to converge from the generally accepted accounting principles of Colombia (COLGAAP) to the International Financial Reporting Standards (IFRS). The mandatory transition period for Grupo Argos and its subsidiaries began on January 1, 2014 and the first audited financial statements under IFRS were those for the year ended on December 31, 2015.

As in the previous rating reviews, this report is based on the consolidated financial statements of Grupo Argos (GA), given that unlike the individual figures of the conglomerate, these enable a clear and full understanding of the dynamics of the issuer and its affiliates and they isolate to a greater extent the volatility derived from the group's strategic restructuring decisions, of the acquisitions made for the expansion and internationalization of its businesses and of the disinvestments made to finance them. However, we have made available to readers the individual financial statements of GA in section IV.

## I. BASIS FOR THE RATING

During its periodic review, the Technical Committee of BRC Investor Services S.A. SCV confirmed the Short Term Debt rating at BRC1+ and lowered the Long Term Debt rating to AA+ from AAA and withdrew the Negative Outlook from the Program to Issue and Place Ordinary Bonds and/or Commercial Paper of Grupo Argos S.A. for 1 billion Colombian pesos (COP).

**Over the past three years, both the conglomerate and its cement and power affiliates have carried out aggressive investment plans aimed at venturing into the concessions business and expanding their operations abroad, respectively. Financing of these investments substantially increased the consolidated financial debt of GA, especially dollar-denominated debt. This fact, combined with the devaluation of the Colombian peso in 2015 and the temporary reduction of the profit margins of Celsia, produced considerable growth both of the group's consolidated debt (13.24 billion of Colombian pesos [COP] in 2015 compared to COP 5.82 billion in 2013) and of its gross debt/EBITDA ratio, which reached an all-time high of 5.02 times (x) and surpassed not only our own, but the issuer's forecasts.**

Another variable that affected consolidated leverage was the incorporation of the figures of Odinsa starting in October, 2015. On the one hand, GA included the total debt of the new affiliate (COP 1.56 billion), but only recorded one quarter of its revenues and EBITDA (COP 294,360 million and COP 59,379 million, respectively, out of an annual amount of COP 902,924 million and COP 295,922 million). On the other hand, in December, 2015 this subsidiary took on new bank loans in the amount of US\$279 million to acquire 47% of the shares of Quiport Holdings, the entity that controls the concession of the Mariscal Sucre Airport in Quito. For this reason, the figures for Odinsa only include one month of results for this concession, but they include the total debt of the acquisition. If the consolidated gross debt/EBITDA ratio for GA were normalized for 2015 with the inclusion of the total EBITDA that Odinsa and Quiport would have generated, it would have been 4.49 x.

We believe that the acquisitions made by Grupo Argos are aligned with its strategic direction and will contribute, in the long term, to the consolidation of its businesses in the region and to an increase in its revenues and EBITDA. However, the funding required for these investments weakened its consolidated indebtedness indicators in such a way that they are not in line with the indicators of companies with higher ratings. In our opinion, this trend will remain in the medium term, given that the resources derived from its strategic businesses (cement, power and concessions) will not be sufficient for the group to reduce, over the next three years, its consolidated leverage in a sustainable manner to values that are consistent with a 'AAA' rating (gross debt/EBITDA ratio between 2x and 3x). Thus, even though we forecast that this ratio will maintain the downward trend we identified in the last review, the change will be slower than we initially estimated, and consequently its average value is estimated at 3.8 x between 2016 and 2018. This is the main reason we have lowered the rating for the group and removed the negative outlook.

In September, 2015, the group acquired 54.75% of the shares of Odinsa, a company with broad-based experience in the development of road and airport concessions. The transaction cost COP 1.02 billion and was financed with a bank loan requested by the conglomerate in the amount of COP 550,000 million plus its own resources, including those derived from the sale of 5.34% of the ordinary shares of Cementos Argos (CA) for COP 600,000 million.

In this regard, it is important to mention that even though in 2015 the debt held by the conglomerate grew 63% as a result of the acquisition, its debt/EBITDA decreased to 3.24 x from the 4.58 x reported in 2014. This is primarily due to the greater revenues obtained by the holding company from the sale of part of its investment portfolio (which is non-recurrent) and the good performance of its real estate business. In upcoming years, this indicator should gradually improve thanks to the greater revenues to be received by the conglomerate based on the equity shareholdings method and the dividends produced from the good performance we expect from its five main businesses. The above is under the assumption that GA at the individual level does not need to increase its indebtedness to support its investments in the concessions business or to venture into new activities.

As of December, 2015, consolidated revenues of GA posted the greatest growth in its history (35.3%), reaching a total of COP 12.6 billion. These results are due to:

- The outstanding performance of its cement business, which contributed 62.9% of total group sales and grew by 35.7% (Table 1).
- The 42.6% increase in revenues from Celsia resulting from the incorporation of the operations of its affiliates in Central America, favorable trends in the distribution business and greater revenues from reliability charges.
- The positive impact of the devaluation of the Colombian peso on sales abroad and dollar-denominated items.
- The increase in portfolio revenues thanks to the good results of the ports and real estate businesses and sales by the conglomerate of its shareholdings in Sura, Bancolombia and Cementos Argos.

**Table 1. Breakdown of the consolidated revenues of Grupo Argos**

Business	COLGAAP			IFRS	
	2012	2013	2014	2014	2015
Cement	4,380,393	4,968,414	5,833,482	5,831,489	7,911,400
Power	2,023,672	2,381,116	2,588,782	2,588,484	3,690,903
Concessions	0	0	0	0	294,360
Others and disposals	-333,983	-245,400	-590,059	63,262	71,886
Portfolio and real estate	611,073	525,229	1,087,353	813,054	611,129
<b>Total</b>	<b>6,681,155</b>	<b>7,629,359</b>	<b>8,919,558</b>	<b>9,296,289</b>	<b>12,579,678</b>
<b>Share of total business</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2015</b>
Cement	65.6%	65.1%	65.4%	62.7%	62.9%
Power	30.3%	31.2%	29.0%	27.8%	29.3%
Concessions	0.0%	0.0%	0.0%	0.0%	2.3%
Others and disposals	-5.0%	-3.2%	-6.6%	0.7%	0.6%
Portfolio and real estate	9.1%	6.9%	12.2%	8.7%	4.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>Growth by business</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2015</b>
Cement	19.4%	13.4%	17.4%	17.4%	35.7%
Power	9.7%	17.7%	8.7%	8.7%	42.6%
Concessions	N/A	N/A	N/A	N/A	N/D
Others and disposals	N/A	-26.5%	140.4%	N/A	13.6%
Portfolio and real estate	123.3%	-14.0%	107.0%	-125.8%	-24.8%
<b>Total</b>	<b>15.5%</b>	<b>14.2%</b>	<b>16.9%</b>	<b>21.8%</b>	<b>35.3%</b>

<b>Region</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2015</b>
Colombia	4,772,155	5,389,824	5,616,005	5,992,736	6,950,718
Central America & Caribbean	715,000	837,035	1,109,412	1,109,412	2,213,411
United States	1,194,000	1,402,500	2,194,141	2,194,141	3,415,549
<b>Total</b>	<b>6,681,155</b>	<b>7,629,359</b>	<b>8,919,558</b>	<b>9,296,289</b>	<b>12,479,678</b>

<b>Share of total by region</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2015</b>
Colombia	71.4%	70.6%	63.0%	64.5%	55.3%
Central America & Caribbean	10.7%	11.0%	12.4%	11.9%	17.6%
United States	17.9%	18.4%	24.6%	23.6%	27.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>Growth by region</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2015</b>
Colombia	13.9%	12.9%	4.2%	11.2%	16.0%
Central America & Caribbean	-8.2%	17.1%	32.5%	32.5%	99.5%
United States	46.0%	17.5%	56.4%	56.4%	55.7%
<b>Total</b>	<b>15.5%</b>	<b>14.2%</b>	<b>16.9%</b>	<b>21.8%</b>	<b>35.3%</b>

Source: Grupo Argos and affiliates. Amounts in millions of COP

For the 2016-2018 period we estimate that growth of consolidated revenues will be lower than the average recorded between 2013 and 2015 (23.8%), due to our expectations of a slowdown in the Colombian economy and the stabilization of the exchange rate at around an average of COP 3,200 per US\$1. Even though we expect substantial sales by Odinsa in this period (an annual average of around COP 1.3 billion), its share of total group revenues will not be high (8% on average), as a result of the continued positive trend in the revenues of Cementos Argos (which will continue to contribute 60% of the revenues of GA), and the normalization we expect in Celsia results starting in 2017 as a result of the end of the El Niño phenomenon and adjustments to its long-term contracting policies.

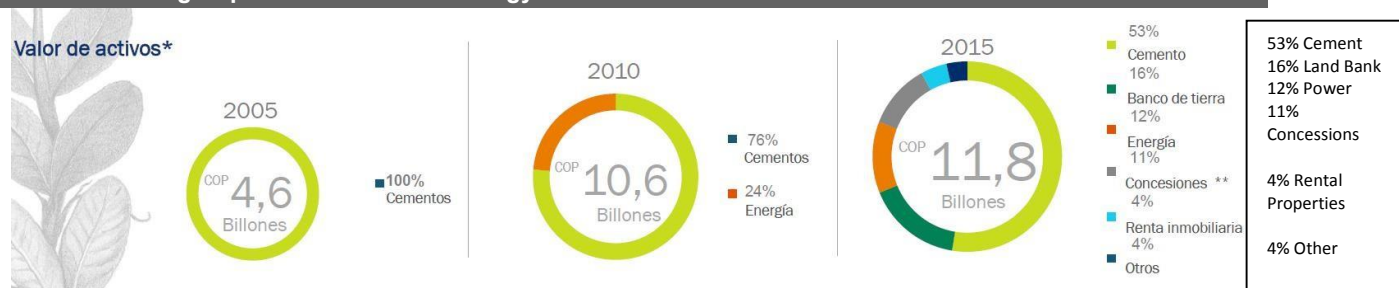
In terms of contribution by region, Colombia will remain the largest revenue generator for the group with a 55.3% share; however, this percentage has decreased in recent years due to the growth of its operations in United States and Central America & Caribbean. In the medium term we expect the contributions of each region to be 52%, 30% and 18%, respectively.

By leveraging the increase in revenues and searching for operating efficiencies in its cement business, GA achieved in 2015 COP 2.6 billion in EBITDA, the highest in its history. We highlight the importance in this year of the group's diversification of its investments by industry, geography and currency, as this partially mitigated the under-performance of the profits of its electric power generation business in Colombia through the better results of its cement subsidiary, of its Businesses under development and of its power assets in Central America. In this manner, consolidated EBITDA Margin only fell 290 basis points to 21%, while the generation business (which in 2014 accounted for 28.4% of the group's total EBITDA) fell to 9% in 2015 from 38.5% in 2014.

This diversification is the result of a strategic restructuring process launched by the group in 2005 and that has enabled it to evolve from an organization focused only on the cement business and the Colombian market to having investments in five businesses (cement, power, concessions, ports and real estate – Graph 1) and three regions (Colombia, United States and Central America & Caribbean).

The situation faced by the power business in 2015 and the favorable evolution of the cement operation are the reasons that explain the Celsia's lower share of consolidated EBITDA to 26.6 % from 38.1% in 2014, while that of Cementos Argos increased to 57.7 % from the 44.1 % recorded the previous year (Table 2).

**Graph 1**  
**Results of the group's diversification strategy**



Source: Grupo Argos.

**Table 2. Breakdown of consolidated EBITDA of Grupo Argos**

Business	COLGAAP			IFRS	
	2012	2013	2014	2014	2015
Cement	791,190	978,108	987,997	981,343	1,523,092
Power	731,174	864,563	848,137	846,901	702,731
Concessions	0	0	0	0	58,380
Others and disposals	-346,887	-291,970	-411,614	16,730	11,075
Portfolio and real estate	440,066	356,320	647,851	379,643	344,996
<b>Total</b>	<b>1,615,543</b>	<b>1,907,021</b>	<b>2,072,371</b>	<b>2,224,617</b>	<b>2,640,274</b>
<b>% of tot. Business</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2015</b>
Cement	49.0%	51.3%	47.7%	44.1%	57.7%
Power	45.3%	45.3%	40.9%	38.1%	26.6%
Concessions	0.0%	0.0%	0.0%	0.0%	2.2%
Others and disposals	-21.5%	-15.3%	-19.9%	0.8%	0.4%
Portfolio and real estate	27.2%	18.7%	31.3%	17.1%	13.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Growth by business</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2015</b>
Cement	16.1%	23.6%	1.0%	0.3%	55.2%
Power	2.4%	18.2%	-1.9%	-2.0%	-17.0%
Concessions	N/A	N/A	N/A	N/A	N/D
Others and disposals	N/D	-15.8%	41.0%	-105.7%	-33.8%
Portfolio and real estate	106.9%	-19.0%	81.8%	6.5%	-9.1%
<b>Total</b>	<b>-0.8%</b>	<b>18.0%</b>	<b>8.7%</b>	<b>16.7%</b>	<b>18.7%</b>
<b>EBITDA Margin</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2015</b>
Cement	18.1%	19.7%	17.0%	16.9%	19.3%
Power	36.1%	36.3%	32.8%	32.7%	19.0%
Concessions	N/A	N/A	N/A	N/A	19.8%
Others and disposals	N/A	N/A	N/A	N/A	N/A
Portfolio and real estate	72.0%	67.8%	59.6%	46.7%	56.5%
<b>Total</b>	<b>24.2%</b>	<b>25.0%</b>	<b>23.2%</b>	<b>23.9%</b>	<b>21.0%</b>

Region	2012	2013	2014	2014	2015
Colombia	1,468,543	1,687,0036	1,621,100	1,773,346	1,627,533
Central America & Caribbean	160,000	192,008	314,274	314,274	664,673
United States	-13,000	28,010	136,997	136,997	348,068
<b>Total</b>	<b>1,615,543</b>	<b>1,907,021</b>	<b>2,072,371</b>	<b>2,224,617</b>	<b>2,640,274</b>

Percent of total by Region	2012	2013	2014	2014	2015
Colombia	90.9%	88.5%	78.2%	79.7%	61.6%
Central America & Caribbean	9.9%	10.1%	15.2%	14.1%	25.2%
United States	-0.8%	1.5%	6.6%	6.2%	13.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Growth by region	2012	2013	2014	2014	2015
Colombia	-1.2%	14.9%	-3.9%	9.4%	-8.2%
Central America & Caribbean	-17.5%	20.0%	63.7%	63.7%	111.5%
United States	-75.0%	-315.5%	389.1%	389.1%	154.1%
<b>Total</b>	<b>-0.8%</b>	<b>18.0%</b>	<b>8.7%</b>	<b>16.7%</b>	<b>18.7%</b>

Source: Grupo Argos. Amounts in millions of COP

**Even though in upcoming years the concessions business will only account on average for 8% of total revenues, its contribution to consolidated EBITDA will be of 14.5%, because its EBITDA Margin is higher than the cement and power businesses (33.15% on average in 2013 and 2015 compared to 18.5% for cement and 29.9% for power). Even though the share of Cementos Argos in EBITDA is expected to fall in 2016 and 2018 due to the inclusion of Odinsa in GA's investment portfolio, it will continue to be the group's most important affiliate in this regard, contributing approximately 50%.**

In terms of the contribution of each region to consolidated EBITDA, we expect Colombia to maintain a share of around 60% because close to 45% of the EBITDA of Odinsa would be derived from its local operation. This is despite the fact that we expect an increase in EBITDA generated in United States due to the impact of the operating leverage of the cement business. We also expect the importance of Central America & Caribbean to increase in this item due to the consolidation of the results of the concessions in Dominican Republic in the financial statements of Odinsa and our expectation on the continuation of the good performance of the cement and power assets in that region.

In 2015, Cementos Argos achieved exceptional growth in its three regions (Colombia, 18.6%; United States, 55.7%; and Central America & Caribbean, 36.8% - Table 3). In addition to the devaluation of the Colombian peso, other aspects that explain these results are the effectiveness of its marketing strategy, the recovery of its market share in the northern area of Colombia, the reactivation of the US economy, stronger construction growth in Honduras, maintaining of competitive prices and costs and a focus on innovative products. These factors also translated into an increase of 14% and 4%, respectively, of the volumes of cement and concrete sold by the company in 2015 (Graph 2).

For 2016 we estimate double-digit growth in CA revenues, as the expected reduction in sales in Colombia due to slower growth in the country will be offset by good performance in the other regions (USA and Central America & Caribbean). This is derived from the greater growth of the construction business in the states covered by Cementos Argos in United States and the reactivation of infrastructure projects in Panama. In 2017 and 2018, sales in Colombia should increase due to demand from 4G Concessions projects. USA and Central America & Caribbean, on their part, should display stable growth due to the development of new infrastructure projects and favorable demographic trends.

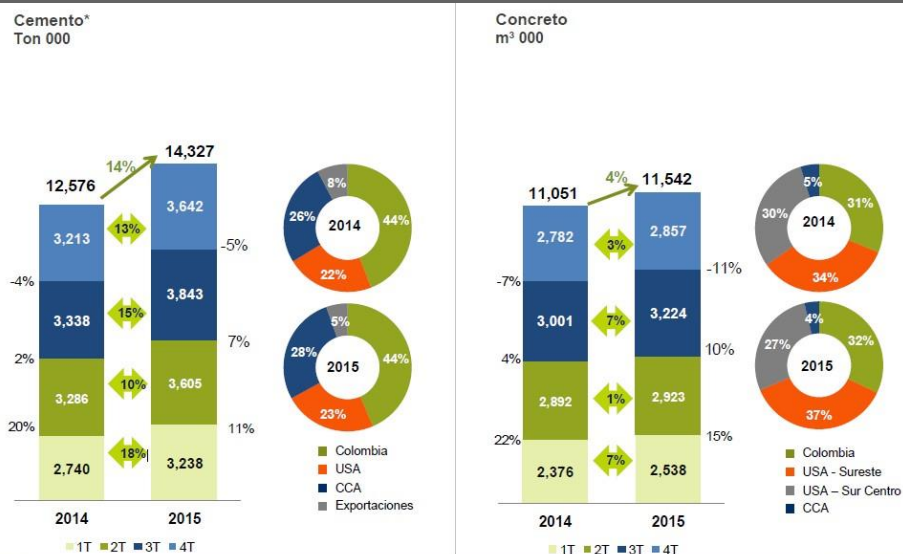
In 2015, Cementos Argos generated the greatest EBITDA in its history (COP 1.52 billion) and increased its EBITDA Margin to 19.2% from 16.6% posted in 2014. This was achieved thanks to the greater sales, the concentration of efforts in consolidating its recently acquired operations, the improvements in energy efficiency and the transmission of best practices between countries. According to our forecast, EBITDA Margin will be around 20% between 2016 and 2018 as a result, primarily, of the operating leverage on the company's figures of the greater volumes sold in United States, given that it has already reached its break-even point in that region.

**Table 3. Breakdown of revenues and EBITDA of Cementos Argos by region**

<b>Colombia</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Revenues	2,287,000	2,551,493	2,510,019	2,977,169
EBITDA	806,000	906,801	667,631	876,982
Growth in Revenues	19.5%	11.6%	-1.6%	18.6%
EBITDA Margin	35.2%	35.5%	26.6%	29.5%
Growth in EBITDA	34.8%	12.5%	-26.4%	31.4%
<b>United States</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Revenues	1,194,000	1,402,500	2,194,141	3,415,549
EBITDA	-13,000	28,010	114,531	303,436
Growth in Revenues	46.0%	17.5%	56.4%	55.7%
EBITDA Margin	-1.1%	2.0%	5.2%	8.9%
Growth in EBITDA	-75.0%	115.5%	308.9%	164.9%
<b>Central America &amp; Caribbean</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Revenues	715,000	837,035	1,083,485	1,482,177
EBITDA	160,000	192,000	317,497	459,071
Growth in Revenues	-8.2%	17.1%	29.4%	36.8%
EBITDA Margin	22.4%	22.9%	29.3%	31.0%
Growth in EBITDA	-17.5%	20.0%	65.4%	44.6%
<b>TOTAL</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Revenues	4,380,393	4,968,414	5,817,129	7,912,003
EBITDA	791,190	978,108	968,147	1,517,701
Growth in Revenues	24.8%	13.4%	17.1%	36.0%
EBITDA Margin	18.1%	19.7%	16.6%	19.2%
Growth in EBITDA	6.9%	23.7%	-1.0%	56.8%
<b>Share of total Revenues</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Colombia	52.2%	51.4%	43.1%	37.6%
USA	27.3%	28.2%	37.7%	43.2%
Central America & Caribbean	16.3%	16.8%	18.6%	18.7%
<b>Share of total EBITDA</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Colombia	101.9%	92.7%	69.0%	57.8%
USA	-1.6%	2.9%	11.8%	20.0%
Central America & Caribbean	20.2%	19.6%	32.8%	30.2%

Source: Cementos Argos. Amounts in millions of COP

**Graph 2**  
Volumes of cement and concrete sold by CA in 2014 and 2015



6 (\*) Incluye cemento gris, petrotero, blanco y productos cementantes

Source: Cementos Argos.

The strong draught since the fourth quarter of 2014 substantially reduced rainfall in the country in 2015 (graph 3), which increased demand for generation from thermal plants by the National Electricity System. Given the high proportion of plants of this type in the assets of Celsia (48%), this situation enabled to company to increase its total revenues by 42.6% that year. Other contributing factors were the adequate performance of its power plants in Central America (which accounted for 17% of this item and which benefitted from the devaluation) and the positive trends of the distribution business in Colombia, which grew by 14% and contributed 25.9% of sales (Table 4).

**Graph 3**  
Rainfall in Colombia



Source: Celsia.

**Table 4. Breakdown of revenues and EBITDA of Celsia by region**

Revenues	2013	2014	2015
Generation Colombia	1,303,758	1,426,415	1,669,322
Reliability charge (COP)	221,617	214,145	308,703
<b>Colombia Total Revenues –Generation</b>	<b>1,525,375</b>	<b>1,640,560</b>	<b>1,978,025</b>
<i>Growth %</i>	38.5%	7.6%	20.6%
<b>Revenues Colombia –Distribution</b>	<b>767,676</b>	<b>837,700</b>	<b>954,739</b>



	<i>Growth %</i>	4.0%	9.1%	14.0%
<b>Revenues Colombia COP</b>		<b>2,381,116</b>	<b>2,562,856</b>	<b>3,064,109</b>
	<i>Growth Colombia</i>	1457.2%	7.6%	19.6%
<b>Revenues CCA –COP</b>		<b>0</b>	<b>25,927</b>	<b>627,589</b>
<b>Total revenues</b>		<b>2,381,116</b>	<b>2,588,783</b>	<b>3,691,698</b>
	<i>Growth Total revenues</i>	17.7%	8.7%	42.6%

<b>EBITDA</b>				
		<b>2013</b>	<b>2014</b>	<b>2015</b>
EBITDA Colombia –Generation		605,426	631,644	177,418
	<i>Growth EBITDA</i>	N/D	4.3%	-71.9%
	<i>EBITDA Margin</i>	39.7%	38.5%	9.0%
EBITDA Colombia –Distribution		259,137	276,624	312,514
	<i>Growth EBITDA</i>	N/D	6.7%	13.0%
	<i>EBITDA Margin</i>	33.8%	33.0%	32.7%
EBITDA Central America		0	-3,223	193,612
	<i>Growth EBITDA</i>	N/A	N/A	N/A
	<i>EBITDA Margin</i>	N/A	-12.4%	30.9%
<b>EBITDA Total</b>		<b>864,563</b>	<b>905,045</b>	<b>683,544</b>
	<i>Growth EBITDA</i>	18.24%	4.7%	-24.5%
	<i>EBITDA Margin</i>	36.3%	35.0%	18.5%

Source: Celsia. Amounts in millions of COP

The low rainfall levels in Colombia will continue to affect the results of Celsia during 2016 because, according to specialists on this matter, this weather phenomenon is expected to continue until the end of the first half of the year. We estimate that revenue growth will stabilize after 2017 due to the reestablishment of normal rainfall patterns and the start up of new assets in the system. Central America, on its part, will maintain the positive trends observed in 2015 and will contribute close to 17% of the total revenues of Celsia by the end of 2018.

The increase in Celsia revenues in 2015 was not reflected in its EBITDA, which dropped 24.5% in 2015 and implied a drop in margin to 18.5% from 35% posted in 2014. The main causes for this drop are the greater purchases of power that the company had to buy in the trading market in order to fulfill its contractual obligations, the increase in generation costs of the thermal power plants and the partial recognition under the current regulatory framework of the Colombian power industry of the cost of generating fuel-based power (through a scarcity price). We forecast a recovery of this indicator after 2017, based on the company's lower contractual exposure to climate change and the greater expected profitability of its distribution business and its operations in Central America.

It is important to mention that Celsia has defined a new five-year strategic plan that focuses on addressing customer needs through three business units (cities, companies and households). The effectiveness of this plan in reducing the volatility of the company's profitability indicators will be an aspect we will follow up on in upcoming reviews for inclusion in our forecasts.

Odinsa revenues in 2015 totaled COP 902,924 million, equivalent to annual growth of 15.4%. Of these, GA only included in its financial statements COP 294,360 million, which were the sales of the last quarter of the year, given that the acquisition was completed in September that year. The annual increase in this item is primarily the result of the good performance of average daily traffic on Autopistas del Café (Coffee Highway) (19.1% of sales), the positive results of its power affiliates (32% of revenues) and adequate performance of its construction and concessions businesses that are consolidated through the shareholdings method, such as Opain and Hatovial (Table 5). We highlight in this regard that close to 55% of the operating revenues of this business in 2015 were generated outside of Colombia.

**Table 5. Breakdown of Odinsa revenues and EBITDA in 2015**

	Revenue	% of tot. Reven.	Gross profit	Gross margin	Operating income	Operating margin	EBITDA	BITDA Margin	% of tot. EBITDA	Net profit	Net margin
Autopista del Café	172,529	19.1%	79,602	19.4%	58,661	21.5%	59,259	34.3%	20.2%	23,362	17.5%
Concesión Vial de los Llanos	56,616	6.3%	15,567	3.8%	5,335	2.0%	5,515	9.7%	1.9%	1,735	1.3%
Autopistas de los Llanos	24,804	2.7%	24,804	6.0%	12,831	4.7%	13,599	54.8%	4.6%	6,039	4.5%
Aruba Green Corridor	72,186	8.0%	13,413	3.3%	11,678	4.3%	11,678	16.2%	4.0%	1	0.0%
Construction business	142,696	15.8%	51,334	12.5%	44,060	16.1%	44,420	31.1%	15.2%	39,726	29.8%
Toll collection operation	62,627	6.9%	24,091	5.9%	13,149	4.8%	15,891	25.4%	5.4%	8,670	6.5%
Power	289,144	32.0%	121,049	29.5%	88,412	32.4%	96,763	33.5%	33.0%	47,954	36.0%
Other indirect	38,789	4.3%	38,789	9.5%	35,266	12.9%	35,199	90.7%	12.0%	30,061	22.6%
Other direct	43,365	4.8%	41,704	10.2%	3,518	1.3%	10,591	24.4%	3.6%	-24,376	-18.3%
<b>Total</b>	<b>902,756</b>		<b>410,353</b>		<b>272,910</b>		<b>292,915</b>	<b>32.4%</b>		<b>133,172</b>	

Source: Odinsa. Millions of COP.

The strategic plan defined by GA for this subsidiary (focusing on road concessions and airport concessions) will imply significant changes in the breakdown of the company's revenues and EBITDA starting in 2016, of which we highlight the following:

- A reduction in annual revenues and EBITDA by COP 300,000 million and COP 100,000 million, respectively, as a result of the sale of its shareholdings in the company Sociedad Portuaria de Santa Marta and the disinvestment of energy assets in Chile and Panama. These resources are to be used to cover part of the investments required in upcoming years for the company's construction projects.
- An increase in the share of revenues derived from Concesión de los Llanos following the delivery of the first functional units of the public-private partnership that Odinsa is developing in the region.
- An increase in revenues derived from the road concessions Autopistas del Nordeste and Boulevard Turístico del Atlántico in the Dominican Republic. The figures from these projects will be included in the company's consolidated financial statements following the transaction it entered into in May, 2016 to gain control over them.
- An increase in revenues based on the shareholdings method derived from its shareholdings in Quiport following the acquisition in December, 2015 of 47% of the shares of this concession.

**In our opinion, even though the concessions business, in its operating stage, generates EBITDA margins that are higher than those of the cement and power operations, it is an investment that is exposed to greater risks which, due to their external nature, GA would be unable to fully mitigate based on Odinsa's know-how and track record. These risks include possible delays in the assignment of environmental licenses or in the acquisition of properties, changes to the initial designs, greater legal contingencies because they are projects with a high impact on the community and the environment, and changes in the contractual conditions or regulations, among others. Future ratings reviews will follow up on the evolution of this business and of these risks.**

Historically, GA and its affiliates have adequately covered their working capital requirements with their own internally generated resources and have posted positive operating cash flows (OCF) with a growing trend. However, in the last three years the CAPEX amounts derived from the acquisitions performed by Cementos Argos and Celsia and from venturing into the concessions business was greater than the OCF generated by the group. This led GA, on a consolidated basis, to post negative free cash flows (FCF) from 2013 to 2015 and to increase its bank loans to finance these investments.

We expect that starting in 2016 the observed trend in FCF will gradually turn around given that, according to what was indicated by the group and its affiliates, the investments in upcoming years will be focused on the consolidation of its current operations and would not involve any significant acquisitions or ventures into new businesses. The most important projects in terms of CAPEX requirements between 2016 and 2018 will be the expansion of the cement plant in Sogamoso (for US\$450 million), capital contributions for COP 611,000 million that Odinsa must make to the concessions currently under construction and the purchase of a majority stake in the road concessions in Dominican Republic for US\$46.75 million.

As of December, 2015, 53% of the group's consolidated financial debt was primarily denominated in dollars. The group mitigated its foreign exchange exposure through the revenues and EBITDA derived from its operations in United States and Central America (which are also tied to the dollar) and the use of currency hedging when required. We do not expect changes in this aspect in the medium term.

**On a consolidated basis, the group has a high concentration of debt payments in 2016 because both the loan taken out by Celsia to acquire assets in Central America and some of the bank loans of Cementos Argos come due. Additionally, these two subsidiaries will have to amortize part of their bonds outstanding in the market in the same year. We do not believe there is any risk of non-payment derived from this situation, because the group and its member companies have the financial flexibility required to extend the terms of these obligations without much difficulty.**

**The group's financial flexibility is reflected in its negotiating power with the banks, its experience in issuing and placing securities and shares in the Colombian market, the size, tradability and continued revaluation of its non-strategic investment portfolio (the value of which as of end-2015 was COP 6.09 billion), the possibility it has of divesting part of its strategic portfolio without losing control over the companies, and the option it has of selling part of its land bank (valued at COP 3 billion as of December, 2015).**

## **II. OPPORTUNITIES AND THREATS**

### What might lead us to raise the rating

BRC Investor Services S.A. SCV identified the following opportunities that might lead us to improve the current rating:

- Manage to reduce the consolidated level of leverage of the group above our forecast in such a manner that the gross debt/EBITDA ratio is located in the range of 2x to 3x in a sustainable manner over the next three years.
- Manage to take EBITDA levels for the group's three strategic businesses (cement, power and concessions) above our forecast over the next three years.
- A greater impact than estimated in the development of infrastructure projects in the countries where group affiliates supply their goods and services.
- The achievement of the synergies expected by the group in its concessions business.
- Continued revaluation and tradability of its strategic and non-strategic investment portfolios.
- Fulfillment of the revenue forecasts of its businesses under development (ports and real estate).
- The use of alternative sources of financing that would enable the group and its affiliates to obtain additional resources to those derived from the operation of its strategic businesses in order to reduce its current levels of indebtedness.

### What might lead us to lower the rating

BRC Investor Services S.A. SCV has identified the following aspects for improvement and/or follow-up of the company and/or the industry that could affect the current rating:

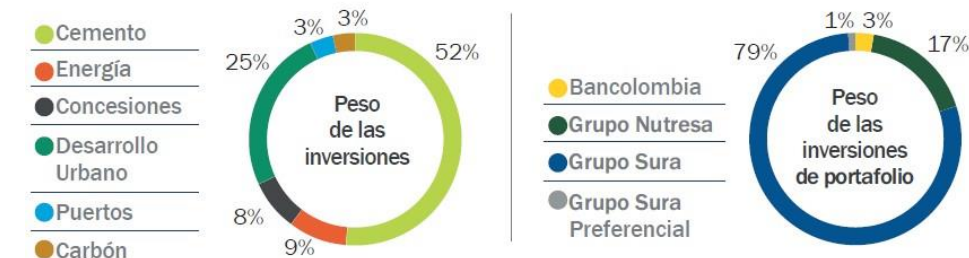
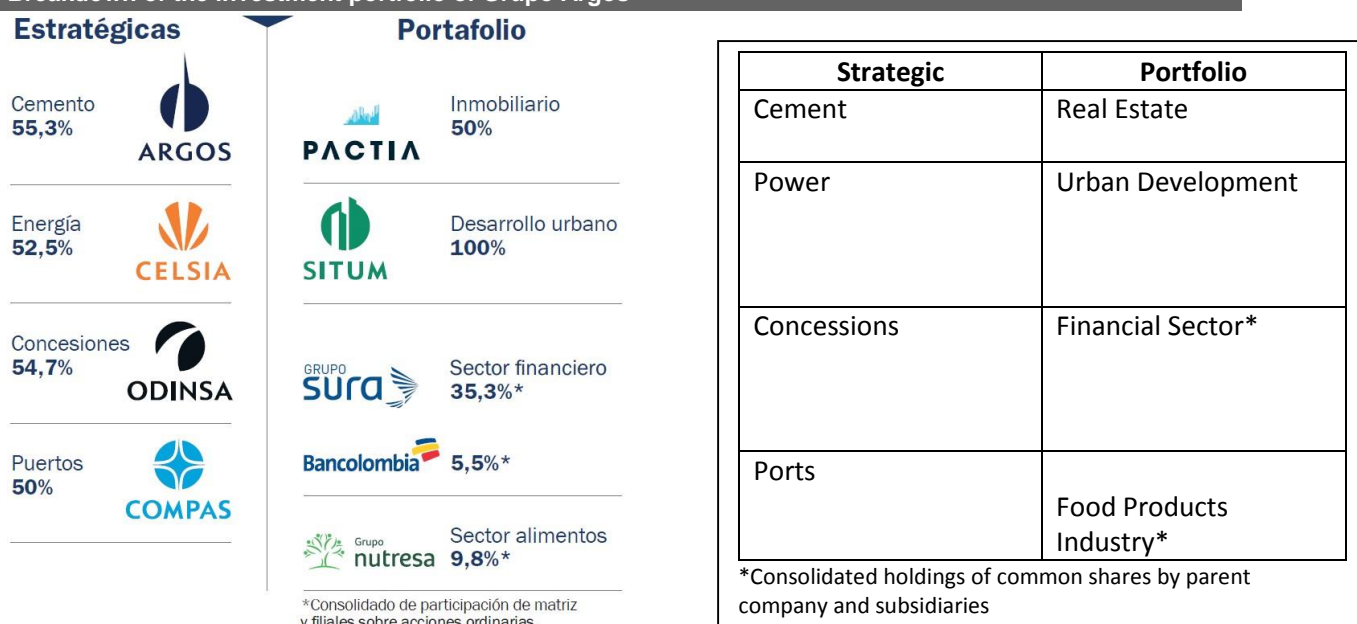
- Increases in levels of financial debt or undertaking of new acquisitions that generate additional pressure on the group's indebtedness indicator in such a manner that its consolidated gross debt/EBITDA ratio is greater than 4x.
- A greater impact than we have estimated in the slowdown of the Colombian economy on the group's operations.
- Delays in construction of 4G concession projects that would reduce or delay their impact on the Colombian economy.
- Worsening of the El Niño phenomenon in Colombia in such a manner that current forecasts are exceeded and that the poor performance of Celsia's generation business in the country continues to perform poorly.
- The establishment of a long-term contracting policy at Celsia that creates exposure to climate risk similar to that of 2015.
- Non-performance of the permanent regulatory adjustments to the scarcity price to resolve the inconsistencies that were observed in 2015 in this regard in the Colombian electric power market.

- Delays in the works of the construction projects in progress awarded to Odinsa that would generate delays in the delivery of the functional units and, consequently, in the reception of revenues.
- Capital contributions to the construction projects that are greater than those estimated by Odinsa.
- Deterioration of the organization's liquidity levels.

### III. THE ISSUER AND ITS BUSINESS

Grupo Argos S.A. is a company of sustainable investments with strategic businesses in infrastructure in the following industries: cement, power and road, airport and port concessions. In addition to its strategic businesses, GA has stakes in the coal and real estate businesses; it owns land banks for urban development and has a solid investment portfolio in the financial and food products industries (Graph 4). The value of the group's both strategic and non-strategic investment portfolio as of December, 2015 was COP 18.3 billion.

**Graph 4**  
Breakdown of the investment portfolio of Grupo Argos



Source: Grupo Argos

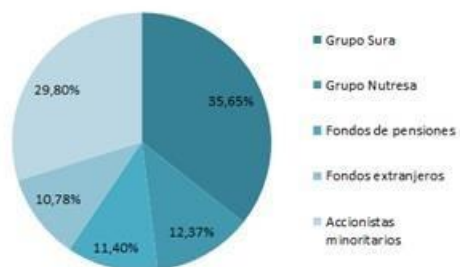
Cement	Weight of investments		Weight of portfolio investments
Power			
Concessions			
Urban Development			
Ports			
Coal			

## Grupo Argos S.A.

The main shareholders of GA are Grupo Nutresa and Grupo Sura (Graph 5), which are companies that specialize in the food products and financial sector, respectively. Given that these three entities hold cross-shareholdings with each other, both Sura and Nutresa form part of the non-strategic portfolio of Grupo Argos (Graph 4). Other major shareholders include pension funds with 11.4% and foreign funds with 10.78%.

The organizational structure of Grupo Argos is headed by the Assembly of Shareholders, which meets ordinarily once a year, followed by the Board of Directors comprised by seven members, all of them principals, of whom five fulfill the criteria of independence according to Colombian law and the Governance Code. The Board has three support committees (Auditing, Finance and Risks; Sustainability and Corporate Governance; and Appointments and Remuneration), and meets every two months. Its members are elected by the Assembly for two-year terms.

**Graph 5**  
**Grupo Argos Shareholders**



Grupo Sura  
Grupo Nutresa  
Pension Funds  
Foreign Funds  
Minority shareholders

Source: Grupo Argos. Ordinary shares.

## Strategic businesses

### **Cementos Argos S.A.**

This 80-year-old company is the oldest subsidiary of the group. Its primary business is production of cement, concrete and derived products. It participates in three regions: Colombia, Central America (primarily Panama and Honduras) and in southeastern United States in the states of Florida, Georgia, South Carolina, North Carolina, Arkansas, Alabama, Mississippi, Virginia and Texas. As of December, 2015 it had installed capacity of 21 million metric tons of cement and 18 million cubic meters of cement.

The company is the fifth-largest cement producer in Latin America. It is the industry leader in Colombia, the second-largest cement and concrete producer in southeastern United States and one of the two main players in the Central American industry (Graph 6).

**Graph 6**  
Distribution of Cements Argos assets by region

Regional

### Colombia

-  **9** plantas de cemento
-  **59** plantas de concreto
-  **1** puerto/terminal
-  **36** centros de distribución
-  **682** camiones mezcladores
-  **4,976** colaboradores  
Fuerza de trabajo regular

Regional

### Caribe y Centroamérica

-  **1** planta de cemento
-  **13** plantas de concreto
-  **6** molindas de clínker
-  **11** puertos/terminales
-  **15** centros de distribución
-  **170** camiones mezcladores
-  **1,120** colaboradores  
Fuerza de trabajo regular

Colombia	Caribbean & Central America
9 cement plants	1 cement plant
59 concrete plants	13 concrete plants
1 port/terminal	6 clinker mills
36 distribution centers	11 ports/terminals
682 mixer trucks	15 distribution centers
4,976 employees	170 mixer trucks
	<b>1,120 employees</b>

Regional

### Estados Unidos

-  **3** plantas de cemento
-  **1,734** camiones mezcladores  
(40 convertidos a gas)
-  **304** plantas de concreto
-  **985** vagones de tren
-  **3** molindas de clínker
-  **3,151** colaboradores  
Fuerza de trabajo regular
-  **12** puertos/terminales
-  **18** centros de distribución

United States	
3 cement plants	1,734 mixer trucks (40 running on natural gas)
304 concrete plants	985 train wagons
3 clinker mills	3,151 employees
12 ports/terminals	
18 distribution centers	

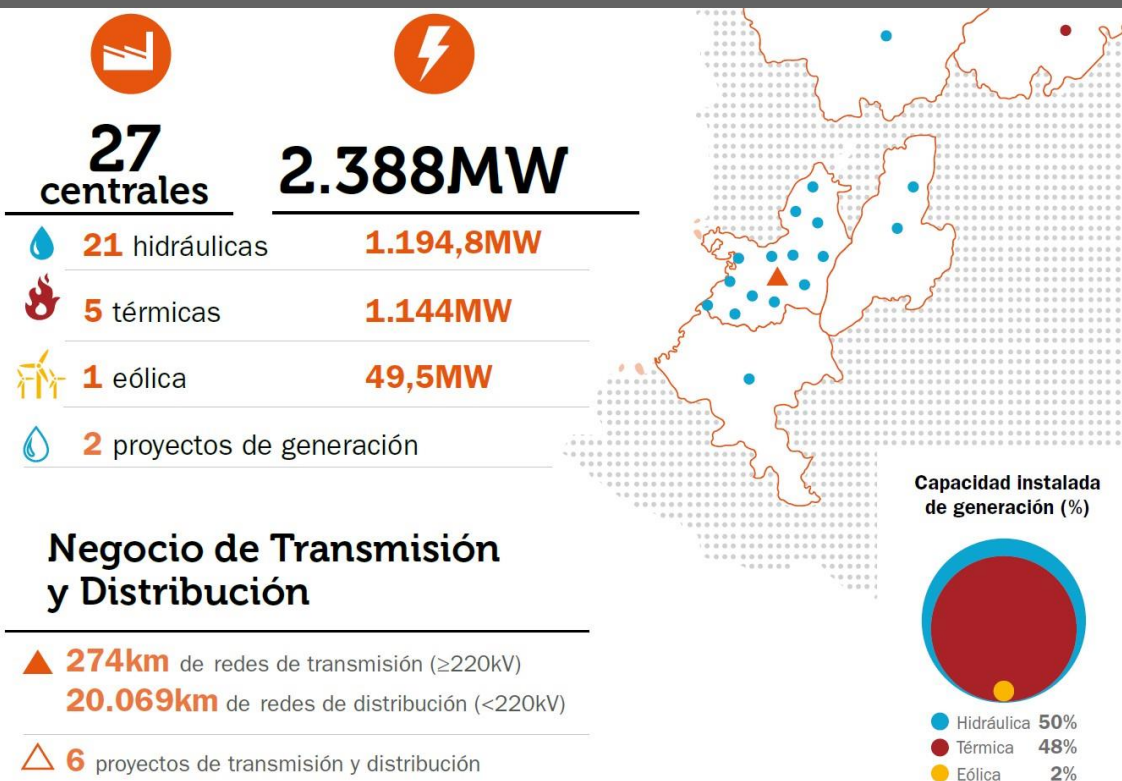
Source: Cements Argos.



**Celsia S.A. ESP**

Its line of business is the supply of electric power generation and commercialization services. As of December, 2015, Celsia was in fourth place in the generation segment (in terms of installed capacity in MW) and in fifth place in distribution (demand by Network Operator in GWh) in the Colombian electric power market, and was the second-largest generator in Panama and the fifth-largest in Costa Rica.

**Graph 7**  
Asset distribution of Celsia



Source: Celsia.

<b>27 power plants</b> 21 hydraulic 5 thermal 1 wind 2 generation projects	
<b>Transmission and Distribution Business</b> 274 km of transmission networks ( $\leq 220\text{ kV}$ ) 20,069 km of distribution networks ( $\leq 220\text{ kV}$ ) 6 transmission and distribution projects	<b>Installed generation capacity (%)</b> Hydraulic 50% Thermal 48% Wind 2%

**Odinsa S.A.**

This company, incorporated in the 1990s, is in the business of structuring, promoting, managing and developing large infrastructure projects in Latin America and the Caribbean. GA acquired it through several transactions in the Colombian Securities Exchange (BVC by its acronym in Spanish) that were completed in September of 2015. For this reason, the consolidated financial statements of GA only include the results of the last quarter of that year.

**Graph 8**  
**Distribution of assets of Odinsa**



Source: Odinsa.

	9 highways	1,346 kilometers	1.9 billion backlog	34 million vehicles/year	2 plants 246 MW
	2 airports	316,000 m2 of usable area		36 million passengers per year	1 port 30,000 m2

Odinsa has two business units: road concessions in Colombia, Aruba and Dominican Republic; and airport concessions in Colombia and Ecuador. As of December, 2015 it also had investments in power assets (one thermal plant in Chile and another in Panama) and in ports (shareholdings in the port of Barranquilla), which are to be sold in 2016.

**Businesses under development**

**Compas S.A.:** It was established in December, 2012 as a result of the merger of the ports business of Grupo Argos with the investment fund Southern Port Holding Corp, each with a 50% stake. The company is consolidated into GA through the equity shareholdings method. Control over it is shared and decisions are made jointly.

The entity provides comprehensive international trade logistics services in Colombia, Panama and United States through nine ports, six of them in Colombia (Tolú, Barranquilla, Buenaventura, Cartagena, Buenavista and Tamalameque), two abroad (Panama and Houston, Texas) and one under development (the river port of Buenaventura) with transportation capacity of 13 million tons. It has three business units: bulk food, coal and liquids, and containers and general cargo.

As of December, 2015 this company generated revenues of COP 160,000 million and EBITDA of COP 60,249 million, equivalent to a margin of 37.7%.

**Urban Development:** this business is managed by a department of Grupo Argos and consequently is 100% consolidated into group figures. Its business is to engage in real estate land development projects through road infrastructure, public utility networks and green areas, among others. Its land portfolio holds over 2,500 hectares located primarily in Barranquilla and Barú Island.

**Pactia:** real estate fund established in August, 2015 through a joint venture between GA and Conconcreto. Its objective is to develop and expand the rental properties line. It has assets worth COP 2.1 billion and gross leasable area of 435,000 m2, with the expectation of developing an additional 300,000 m2 over the next four years. It is present in Colombia and Panama through five business lines: retail, industry, offices, hotels and self-storage.



*The financial information included in this report is based on: 1) the audited financial statements (in COLGAAP for fiscal years 2012 and 2013 and in IFRS for fiscal years 2014 and 2015) of Grupo Argos (consolidated and individual) and of its main affiliates: Cementos Argos S.A., Celsia S.A. ESP and Odinsa S.A., 2) the management reports of the group and its affiliates published on its investor website and 3) the forecasts prepared by GA of the financial statements of the Group, the holding company and its affiliates for the 2016-2018 period.*

*BRC Investor Services does not perform any auditing, and consequently the entity's management is fully responsible for the integrity and truthfulness of all the information that was provided and that was the basis for preparing this report. Additionally, the rating agency reviewed publicly available information and compared it with the information provided by the rated entity / the rated issuer.*

*A risk rating issued by BRC Investor Services S.A. –Sociedad Calificadora de Valores– is a technical opinion and at no time is it intended as a recommendation to buy, sell or hold a given investment and/or security, and does not imply any assurance of payment of the security, but an assessment on the probability that the principal and its yields will be paid in a timely manner. The information contained in this publication has been obtained from sources that are presumed to be reliable and precise; consequently, we shall not be held responsible for any errors or omissions or for any results derived from the use of this information.*

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*To see the definitions of our ratings, please see [www.brc.com.co](http://www.brc.com.co) or click [here](#).*

## IV. FINANCIAL STATEMENTS

## GRUPO ARGOS S.A.

## Consolidated financial statements

Amounts in Millions of COP

	COLGAAP			IFRS		Vertical anal. IFRS		Horizontal anal. COLGAAP			IFRS
	2012	2013	2014	2014	2015	2014	2015	2012	2013	2014	2015
<b>General Balance Sheet</b>											
<b>ASSETS</b>											
Cash and Tradable investments	1.468.055	1.526.948	1.323.086	892.198	1.512.505	3,3%	5,6%	49,4%	4,0%	-13,4%	69,5%
Cash with restrictions for use	0	0	0	103.309	159.313						
Trade accounts receivable	736.089	779.530	1.056.005	1.530.058	2.509.017	5,7%	9,4%	-9,8%	5,9%	35,5%	64,0%
Other accounts receivable	418.962	503.803	716.501	0	0	0,0%	0,0%	9,9%	20,3%	42,2%	
Inventories	467.056	497.973	767.620	650.462	902.218	2,4%	3,4%	17,5%	6,6%	54,1%	38,7%
Pre-paid expenses	56.230	35.940	100.278	196.951	229.301	0,7%	0,9%	33,7%	-36,1%	179,0%	16,4%
Other current assets	0	0	0	363.641	355.617	1,4%	1,3%				-2,2%
<b>Total Current assets</b>	<b>3.146.392</b>	<b>3.344.194</b>	<b>3.963.490</b>	<b>3.736.619</b>	<b>5.667.971</b>	<b>13,9%</b>	<b>21,1%</b>	<b>20,1%</b>	<b>6,3%</b>	<b>18,5%</b>	<b>51,7%</b>
Net accounts receivable	85.878	10.518	89.024	52.726	217.495	0,2%	0,8%	51,4%	-87,8%	746,4%	312,5%
Inventories	86.432	85.247	0	29.508	24.146	0,1%	0,1%	12,7%	-1,4%	-100,0%	-18,2%
Permanent investments, net	1.043.257	1.001.182	837.181	6.933.098	8.348.382	25,9%	31,2%	-3,5%	-4,0%	-16,4%	20,4%
PPE, net	7.172.640	7.566.366	11.543.684	15.566.951	17.935.551	58,1%	66,9%	-2,7%	5,5%	52,6%	15,2%
Deferred and intangible assets, Net	1.918.447	2.732.394	3.771.785	3.826.948	6.068.207	14,3%	22,6%	-4,9%	42,4%	38,0%	58,6%
Investment properties	0	0	0	1.721.516	1.669.342	6,4%	6,2%				-3,0%
Other assets	21.238	19.353	13.870	2.432.118	1.843.919	9,1%	6,9%	-24,7%	-8,9%	-28,3%	-24,2%
Asset revaluation, net	13.325.550	12.656.081	13.675.336	0	0	0,0%	0,0%	9,7%	-5,0%	8,1%	
<b>Total Non-Current Assets</b>	<b>23.653.442</b>	<b>24.071.141</b>	<b>29.930.880</b>	<b>30.562.865</b>	<b>36.107.042</b>	<b>114,0%</b>	<b>134,7%</b>	<b>3,9%</b>	<b>1,8%</b>	<b>24,3%</b>	<b>18,1%</b>
<b>TOTAL ASSETS</b>	<b>26.799.834</b>	<b>27.415.335</b>	<b>33.894.370</b>	<b>34.299.484</b>	<b>41.775.013</b>	<b>128,0%</b>	<b>155,9%</b>	<b>5,5%</b>	<b>2,3%</b>	<b>23,6%</b>	<b>21,8%</b>
<b>LIABILITIES</b>											
Financial debt, S.T.	1.409.261	720.914	1.702.698	1.594.526	3.305.497	5,9%	12,3%	-40,1%	-48,8%	136,2%	107,3%
Bonds and commercial paper	287.091	204.182	234.525	469.157	573.120	1,8%	2,1%	-33,8%	-28,9%	14,9%	22,2%
Accounts payable	853.216	873.371	1.420.169	1.294.765	1.881.144	4,8%	7,0%	-11,7%	2,4%	62,6%	45,3%
Taxes duties and levies	183.836	304.355	210.083	300.784	445.593	1,1%	1,7%	-7,4%	65,6%	-31,0%	48,1%
Labor obligations	66.223	87.119	113.406	135.448	184.662	0,5%	0,7%	-31,2%	31,6%	30,2%	36,3%
Estimated liabilities & provisions	653.224	668.750	634.988	99.531	307.137	0,4%	1,1%	24,0%	2,4%	-5,0%	208,6%
Other current liabilities	171.181	0	0	159.745	292.112	0,6%	1,1%	190,7%	-100,0%		82,9%
<b>Current liabilities</b>	<b>3.624.032</b>	<b>2.858.691</b>	<b>4.315.869</b>	<b>4.053.956</b>	<b>6.989.265</b>	<b>15,1%</b>	<b>26,1%</b>	<b>-21,8%</b>	<b>-21,1%</b>	<b>51,0%</b>	<b>72,4%</b>
Financial debt, L.T.	1.685.905	1.063.692	2.813.105	3.077.275	4.948.257	11,5%	18,5%	-22,3%	-36,9%	164,5%	60,8%
Bonds outstanding	2.530.588	3.139.655	4.737.416	4.658.796	4.419.113	17,4%	16,5%	57,6%	24,1%	50,9%	-5,1%
Bonds Convertible into Shares	749.248	694.448	539.087	0	0	0,0%	0,0%		-7,3%	-22,4%	
Taxes duties and levies	46.923	0	0	1.233.745	1.616.905	4,6%	6,0%	-49,6%	-100,0%		31,1%
Labor obligations	340.072	326.510	310.715	381.203	369.072	1,4%	1,4%	1,8%	-4,0%	-4,8%	-3,2%
Accounts payable	75.857	55.107	34.212	18.579	65.391	0,1%	0,2%	-31,7%	-27,4%	-37,9%	252,0%
Other liabilities	95.751	94.927	354.135	488.569	477.211	1,8%	1,8%	-29,7%	-0,9%	273,1%	-2,3%
<b>Non-Current Liabilities</b>	<b>5.524.344</b>	<b>5.374.339</b>	<b>8.788.670</b>	<b>9.858.167</b>	<b>11.895.949</b>	<b>36,8%</b>	<b>44,4%</b>	<b>24,1%</b>	<b>-2,7%</b>	<b>63,5%</b>	<b>20,7%</b>
<b>TOTAL LIABILITIES</b>	<b>9.148.376</b>	<b>8.233.030</b>	<b>13.104.539</b>	<b>13.912.123</b>	<b>18.885.214</b>	<b>51,9%</b>	<b>70,5%</b>	<b>0,7%</b>	<b>-10,0%</b>	<b>59,2%</b>	<b>35,7%</b>
Total Shareholders' Equity	12.781.338	12.441.163	13.804.009	14.226.700	14.792.611	53,1%	55,2%	33,6%	-2,7%	11,0%	4,0%
Minority interest	4.870.120	6.741.142	6.985.822	6.160.661	8.097.188	23,0%	30,2%	-27,8%	38,4%	3,6%	31,4%
Liabilities + S. Equity	26.799.834	27.415.335	33.894.370	34.299.484	41.775.013	128,0%	155,9%	5,5%	2,3%	23,6%	21,8%

	COLGAAP			IFRS		Vertical anal. IFRS		Horizontal anal. COLGAAP			IFRS
	2012	2013	2014	2014	2015	2014	2015	2012	2013	2014	2015
<b>Income Statement</b>											
<b>Operating revenues</b>	6.681.155	7.629.359	8.919.558	9.296.289	12.579.678	100,0%	100,0%	15,5%	14,2%	16,9%	35,3%
Cement and concrete Power	4.380.393	4.968.414	5.833.482	5.831.489	7.911.400	62,7%	62,9%	19,4%	13,4%	17,4%	35,7%
Real estate business Portfolio	40.254	63.478	70.008	62.125	123.483	0,7%	1,0%	9,7%	17,7%	8,7%	42,6%
Concessions	570.819	461.751	1.017.345	750.929	487.646	8,1%	3,9%	108,6%	-19,1%	120,3%	-35,1%
Others and disposals	0	0	0	0	294.360	0,0%	2,3%				
	-333.983	-245.400	-590.059	63.262	71.886	0,7%	0,6%		-26,5%	140,4%	13,6%
						0,0%					
<b>Cost of sales</b>	4.900.511	5.536.545	6.484.800	6.576.237	9.631.045	70,7%	76,6%	19,8%	13,0%	17,1%	46,5%
CS goods and services	4.458.421	5.059.721	6.038.368	6.105.349	8.876.003	65,7%	70,6%	20,2%	13,5%	19,3%	45,4%
DA in Cost of sales	442.090	476.824	446.432	470.888	755.042	5,1%	6,0%	15,6%	7,9%	-6,4%	60,3%
<b>Gross profit</b>	1.780.644	2.092.814	2.434.758	2.720.052	2.948.633	29,3%	23,4%	5,1%	17,5%	16,3%	8,4%
GO (Admin and Sales)	607.191	662.617	808.819	823.260	1.044.174	8,9%	8,3%	35,7%	9,1%	22,1%	26,8%
DA in Expenses	85.006	82.680	109.737	90.557	147.952	1,0%	1,2%	-46,3%	-2,7%	32,7%	63,4%
Other revenues/expenses	0	0	0	-143.063	-19.227	-1,5%	-0,2%				-86,6%
Wealth tax	0	0	0	0	-106.270	0,0%	-0,8%				
<b>Operating profit</b>	1.088.447	1.347.517	1.516.202	1.663.172	1.631.010	17,9%	13,0%	0,0%	23,8%	12,5%	-1,9%
<b>Other Revenues</b>	574.346	405.436	443.847	320.035	237.387	3,4%	1,9%	48,0%	-29,4%	9,5%	-25,8%
Financial	49.526	51.723	45.136	121.425	55.964	1,3%	0,4%	18,0%	4,4%	-12,7%	-53,9%
Dividends and Stakes of Int	42.673	36.439	37.641	0	0	0,0%	0,0%		-14,6%	3,3%	
Diff. in FX translation	18.056	12.156	33.645	41.552		0,4%	0,0%		-32,7%	176,8%	-100,0%
Other	464.091	305.118	327.425	157.058	181.423	1,7%	1,4%	74,3%	-34,3%	7,3%	15,5%
Other Expenses	769.930	639.524	755.694	681.608	964.736	7,3%	7,7%	-28,6%	-16,9%	18,2%	41,5%
Financial	471.927	399.071	456.922	524.550	736.518	5,6%	5,9%	18,4%	-15,4%	14,5%	40,4%
Diff. in FX translation	0	0	0	0	33.481	0,0%	0,3%				
Other	298.003	240.453	298.772	157.058	194.737	1,7%	1,5%	-53,8%	-19,3%	24,3%	24,0%
<b>Pre-tax Profit</b>	892.863	1.113.429	1.204.355	1.301.599	903.661	14,0%	7,2%	124,2%	24,7%	8,2%	-30,6%
Total Taxes	163.606	425.404	420.713	371.546	260.506	4,0%	2,1%	0,3%	160,0%	-1,1%	-29,9%
Shareholdings Minority Int.	385.319	393.075	402.929	409.304	342.155	4,4%	2,7%	372,7%	2,0%	2,5%	-16,4%
Profit/loss disc. oper.	0	0	0	384	0						
<b>Net Profit</b>	343.938	294.950	380.713	521.133	301.000	5,6%	2,4%	123,8%	-14,2%	29,1%	-42,2%
<b>EBITDA</b>	1.615.543	1.907.021	2.072.371	2.224.617	2.640.274	23,9%	21,0%	-0,8%	18,0%	8,7%	18,7%

DA: Depreciation & Amortization

	COLGAAP			IFRS	
	2012	2013	2014	2014	2015
<b>CASH FLOW</b>					
<b>Net Profit</b>	343.938	294.950	380.713	930.437	643.155
Adjustment to reconcile net profit with net cash provided by operations	516.300	860.164	862.397	1.325.692	1.929.227
<b>Cash generated in operations</b>	860.238	1.155.114	1.243.110	2.256.129	2.572.382
Changes in operating assets and liabilities	-68.605	-3.415	-186.094	-143.459	-547.439
<b>Net cash provided by operations</b>	791.633	1.151.699	1.057.016	2.112.670	2.024.943
Changes in PPE	-366.279	-653.087	-3.760.060	-4.068.838	-2.238.424
Changes in permanent invest.	325.579	44.343	150.702	0	0
Deferred assets	-116.216	-313.169	-94.742	-29.412	-12.097
Other	5.763	-606.732	-578.754	232.228	85.135
<b>Net cash after investment activities</b>	640.480	-376.946	-3.225.838	-1.753.352	-140.443
Net dividends	-166.040	-180.606	-196.246	-349.234	-400.300
Changes in financial debt	296.588	-740.464	4.275.500	2.849.857	1.239.127
Financial expenses, net	-422.401	-399.071	-456.922	-331.481	-636.929
Other	136.857	1.755.980	-600.356	-151.558	608.350
<b>Non-operating cash flow</b>	-154.996	435.839	3.021.976	2.017.584	810.248

Consolidated financial indicators

COLGAAP

IFRS

RENTABILIDAD	2012	2013	2014	2014	2015
Ventas Netas	6.681.155	7.629.359	8.919.558	9.296.289	12.579.678
EBITDA	1.615.543	1.907.021	2.072.371	2.224.617	2.640.274
Crecimiento de Ventas	15,5%	14,2%	16,9%	21,8%	35,3%
Crecimiento EBITDA	-0,8%	18,0%	8,7%	16,7%	18,7%
Margen Bruto	26,7%	27,4%	27,3%	29,3%	23,4%
Margen Operacional	16,3%	17,7%	17,0%	17,9%	13,0%
Margen Neto	5,1%	3,9%	4,3%	5,6%	2,4%
Margen EBITDA	24,2%	25,0%	23,2%	23,9%	21,0%
Ventas/ Activos	24,9%	27,8%	26,3%	27,1%	30,1%
ROA	1,3%	1,1%	1,1%	1,5%	0,7%
ROE	2,7%	2,4%	2,8%	3,7%	2,0%

ACTIVIDAD	2012	2013	2014	2014	2015
KTNO	349.929	404.132	403.456	885.755	1.530.091
Productividad KTNO (Ventas/ KTNC)	19,09	18,88	22,11	10,50	8,22
Rot CxC	40	37	43	59	72
Rot CxP	63	57	79	71	70
Rot Inventarios	34	32	43	36	34
Ciclo de efectivo	11	12	6	24	35

Liquidez	2012	2013	2014	2014	2015
Efectivo	1.468.055	1.526.948	1.323.086	892.198	1.512.505
Razon Corriente	0,87	1,17	0,92	0,92	0,81
Prueba Ácida	0,74	1,00	0,74	0,76	0,68

Endeudamiento	2012	2013	2014	2014	2015
Deuda bruta	6.662.093	5.822.891	10.026.831	9.799.754	13.245.987
Deuda neta	5.194.038	4.295.943	8.703.745	8.907.556	11.733.482
Deuda de CP (Monto)	1.696.352	925.096	1.937.223	2.063.683	3.878.617
Deuda de CP (%)	25,46%	15,89%	19,32%	21,06%	29,28%
Deuda de LP	4.965.741	4.897.795	8.089.608	7.736.071	9.367.370
Deuda de LP (%)	74,54%	84,11%	80,68%	78,94%	70,72%
Deuda /Patrimonio	52,1%	46,8%	72,6%	68,9%	89,5%
Deuda fin. / Pasivo Total	72,82%	70,73%	76,51%	70,44%	70,14%
Apalancamiento (Pasivo/ Patrimonio)	0,72	0,66	0,95	0,98	1,28

Coberturas	2012	2013	2014	2014	2015
Intereses/ Ventas	7,06%	5,23%	5,12%	5,64%	5,85%
EBITDA / Intereses	3,42	4,78	4,54	4,24	3,58
EBITDA / Deuda Fra.	0,24	0,33	0,21	0,23	0,20
Deuda bruta / EBITDA	4,12	3,05	4,84	4,41	5,02
Deuda neta/ EBITDA	3,22	2,25	4,20	4,00	4,44
Servicio de la deuda	471.927	1.139.535	456.922	524.550	736.518
FCO/ Serv Deuda	1,68	1,01	2,31	4,03	2,75
Ebitda/ Serv Deuda	3,42	1,67	4,54	4,24	3,58

PROFITABILITY
Net sales
EBITDA
Sales growth
EBITDA growth
Gross Margin
Operating Margin
Net Margin
EBITDA Margin
Sales/ Assets
ROA
ROE

ACTIVITY
KTNO
Productivity KNT0 (Sales/KNT0)
AR Turnover
AP Turnover
Inventories Turnover
Cash cycle

Liquidity
Cash
Current Ratio
Acid Test

Indebtedness
Gross debt
Net debt
S.T. Debt (Amount)
S.T. Debt (%)
L.T. Debt
L.T. Debt (%)
Debt /Equity
Fin. debt / Total Liabilities
Leverage (Liabilities/ Equity)

Hedging
Interest/ Sales
EBITDA / Interest
EBITDA / Fin. Debt
Gross debt / EBITDA
Net debt / EBITDA
Debt service
FCO/ Debt Service
Ebitda/ Debt Service

**GRUPO ARGOS S.A. - INDIVIDUAL**

Amounts in millions of \$

	COLGAAP			IFRS		Vertical anal. IFRS		Horizontal anal. COLGAAP			IFRS
	2012	2013	2014	2014	2015	2014	2015	2012	2013	2014	2015
<b>General Balance Sheet</b>											
<b>ASSETS</b>											
Cash	382.305	92.302	165.911	165.978	311.454	1,1%	1,9%	7267,6%	-75,9%	79,7%	87,6%
Temporary investments	171.956	0	15.118	15.165	0	0,1%	0,0%	12009,6%	-100,0%		-100,0%
Net accounts receivable	90.057	203.010	317.642	210.989	231.096	1,4%	1,4%	58,2%	125,4%	56,5%	9,5%
Inventories	75.111	57.744	52.904	17.729	9.448	0,1%	0,1%		-23,1%	-8,4%	-46,7%
Pre-paid expenses	900	89	0	2.644	1.798	0,0%	0,0%		-90,1%	-100,0%	-32,0%
Other assets	0	0	0	0	110.680	0,0%	0,7%				
<b>Total current assets</b>	<b>720.329</b>	<b>353.145</b>	<b>551.575</b>	<b>412.505</b>	<b>664.476</b>	<b>2,7%</b>	<b>4,1%</b>	<b>1033,8%</b>	<b>-51,0%</b>	<b>56,2%</b>	<b>61,1%</b>
Net accounts receivable	47.143	35.732	8.589	6.134	3.382	0,0%	0,0%	19708,0%	-24,2%	-76,0%	-44,9%
Permanent investments, net	7.745.161	8.189.320	8.407.661	12.613.801	13.604.214	82,9%	84,1%	-28,6%	5,7%	2,7%	7,9%
Investment properties	0	0	0	2.122.462	1.781.868						
PPE, net	60.983	90.149	229.765	19.238	82.850	0,1%	0,5%	2728,5%	47,8%	154,9%	330,7%
Inventories	332	0	0	29.508	24.146	0,2%	0,1%		-100,0%		-18,2%
Deferred charges, net	27.129	90.623	144.609	8.788	9.263	0,1%	0,1%	-8,3%	234,0%	59,6%	5,4%
Other assets	512	1.500	1.700			0,0%	0,0%	0,0%	193,0%	13,3%	
Asset revaluation, net	7.540.582	6.708.915	7.499.657			0,0%	0,0%	611,3%	-11,0%	11,8%	
<b>Total Non-Current Assets</b>	<b>15.421.842</b>	<b>15.116.239</b>	<b>16.291.981</b>	<b>14.799.931</b>	<b>15.505.723</b>	<b>97,3%</b>	<b>95,9%</b>	<b>29,1%</b>	<b>-2,0%</b>	<b>7,8%</b>	<b>4,8%</b>
<b>TOTAL ASSETS</b>	<b>16.142.171</b>	<b>15.469.384</b>	<b>16.843.556</b>	<b>15.212.436</b>	<b>16.170.199</b>	<b>100,0%</b>	<b>100,0%</b>	<b>34,5%</b>	<b>-4,2%</b>	<b>8,9%</b>	<b>6,3%</b>
<b>LIABILITIES</b>											
Financial debt S.T	601.271	373.158	0	0	123.415	0,0%	0,8%	-38,9%	-37,9%	-100,0%	
Bonds and commercial paper	200.000	0	0	30.429	4.958	0,2%	0,0%		-100,0%		-83,7%
Accounts payable	128.856	71.408	127.332	143.921	185.324	0,9%	1,1%	123,7%	-44,6%	78,3%	28,8%
Taxes duties and levies	5.587	12.057	1.451	470	14.177	0,0%	0,1%	-38,9%	115,8%	-88,0%	2916,4%
Labor obligations	1.007	1.712	1.945	1.944	2.450	0,0%	0,0%	620,0%	70,0%	13,6%	26,0%
Dividends payable		48.549	0	0	0	0,0%	0,0%			-100,0%	
Other current liabilities	23.338	48.618	91.964	29.364	18.023	0,2%	0,1%	-100,0%	108,3%	89,2%	-38,6%
<b>Current liabilities</b>	<b>960.059</b>	<b>555.502</b>	<b>222.692</b>	<b>206.128</b>	<b>348.347</b>	<b>1,4%</b>	<b>2,2%</b>	<b>-8,7%</b>	<b>-42,1%</b>	<b>-59,9%</b>	<b>69,0%</b>
Financial debt, L.T.	300.109	445.109	109	23	550.028	0,0%	3,4%	1,4%	48,3%	-100,0%	2391326,1%
Bonds and commercial paper	749.248	694.448	1.539.087	997.825	997.932	6,6%	6,2%		-7,3%	121,6%	0,0%
Taxes duties and levies	953	0	0	109.859	120.205	0,7%	0,7%	-50,0%	-100,0%		9,4%
Labor obligations	3.595	2.191	2.071	23.744	6.819	0,2%	0,0%	13,7%	-39,1%	-5,5%	-71,3%
Other liabilities	67.816	53.595	1.902	8.406	8.656	0,1%	0,1%		-21,0%	-96,5%	3,0%
<b>Non-Current Liabilities</b>	<b>1.121.721</b>	<b>1.195.343</b>	<b>1.543.169</b>	<b>1.139.857</b>	<b>1.683.640</b>	<b>7,5%</b>	<b>10,4%</b>	<b>272,4%</b>	<b>6,6%</b>	<b>29,1%</b>	<b>47,7%</b>
<b>Total Liabilities</b>	<b>2.081.780</b>	<b>1.750.845</b>	<b>1.765.861</b>	<b>1.345.985</b>	<b>2.031.987</b>	<b>8,8%</b>	<b>12,6%</b>	<b>53,9%</b>	<b>-15,9%</b>	<b>0,9%</b>	<b>51,0%</b>
<b>Total Shareholders' Equity</b>	<b>14.060.391</b>	<b>13.718.539</b>	<b>15.077.695</b>	<b>13.866.451</b>	<b>14.138.212</b>	<b>91,2%</b>	<b>87,4%</b>	<b>32,0%</b>	<b>-2,4%</b>	<b>9,9%</b>	<b>2,0%</b>
<b>Liabilities + S. Equity</b>	<b>16.142.171</b>	<b>15.469.384</b>	<b>16.843.556</b>	<b>15.212.436</b>	<b>16.170.199</b>	<b>100,0%</b>	<b>100,0%</b>	<b>34,5%</b>	<b>-4,2%</b>	<b>8,9%</b>	<b>6,3%</b>



	COLGAAP			IFRS		Vertical anal. IFRS		Horizontal anal. COLGAAP			IFRS
	2012	2013	2014	2014	2015	2014	2015	2012	2013	2014	2015
<b>Income Statement</b>											
<b>Operating revenues</b>	602.326	517.303	693.677	635.912	1.096.781	100,0%	100,0%	61,6%	-14,1%	34,1%	72,5%
Revenues from sale of investments	107.019	57.603	257.877	257.877	713.683	40,6%	65,1%	-56,3%	-46,2%	347,7%	176,8%
Shareholdings Method	391.344	318.718	277.421	224.925	168.114	35,4%	15,3%	284,0%	-18,6%	-13,0%	-25,3%
Dividends	69.936	82.659	89.035	83.826	84.384	13,2%	7,7%	168,9%	18,2%	7,7%	0,7%
Real estate business	34.027	58.323	69.344	58.162	112.752	9,1%	10,3%		71,4%	18,9%	93,9%
Other	0	0	0	11.122	17.848	1,7%	1,6%				60,5%
<b>Cost of sales</b>	69.673	69.517	241.353	283.452	470.163	44,6%	42,9%	118,9%	-0,2%	247,2%	65,9%
Cost of sale of investments	51.789	49.133	214.176	256.275	413.290	40,3%	37,7%	62,7%	-5,1%	335,9%	61,3%
Cost of real estate business	17.884	20.384	27.177	27.177	56.873	4,3%	5,2%		14,0%	33,3%	109,3%
<b>Gross profit</b>	532.653	447.786	452.324	352.460	626.618	55,4%	57,1%	56,3%	-15,9%	1,0%	77,8%
GO (Admin and Sales)	97.997	88.083	104.756	136.021	115.327	21,4%	10,5%	-29,5%	-10,1%	18,9%	-15,2%
DA Expenses	192	2.158	7.466	2.459	2.896	0,4%	0,3%	-90,4%	1024,0%	246,0%	17,8%
Other	0	0	0	8.119	6.579	1,3%	0,6%				-19,0%
Wealth tax	0	0	0	0	-9.668	0,0%	-0,9%				
<b>Operating profit</b>	434.464	357.545	340.102	222.099	505.306	34,9%	46,1%	117,3%	-17,7%	-4,9%	127,5%
<b>Other Revenues</b>	19.862	43.588	166.974	0	55	0,0%	0,0%	282,5%	119,5%	283,1%	
<b>Other Expenses</b>	108.349	89.877	108.878	21.870	107.274	3,4%	9,8%	115,1%	-17,0%	21,1%	390,5%
Financial	91.644	65.037	79.315	13.880	107.274	2,2%	9,8%	126,5%	-29,0%	22,0%	672,9%
Diff. in FX translation	8.844	8.317	2.917	7.990	0	1,3%	0,0%	54,2%	-6,0%	-64,9%	-100,0%
Other	7.861	16.523	26.646	0	0	0,0%	0,0%	88,9%	110,2%	61,3%	
<b>Pre-tax profit</b>	345.977	311.256	398.198	200.229	398.087	31,5%	36,3%	123,6%	-10,0%	27,9%	98,8%
Taxes	2.039	16.306	8.440	-813	26.286	-0,1%	2,4%	90,4%	699,7%	-48,2%	-3333,2%
<b>Net Profit</b>	343.938	294.950	389.758	201.042	371.801	31,6%	33,9%	123,8%	-14,2%	32,1%	84,9%
<b>EBITDA</b>	434.656	359.703	347.568	224.558	517.870	35,3%	47,2%	115,3%	-17,2%	-3,4%	130,6%

DA: Depreciation & Amortization

<b>CASH FLOW</b>	2012	2013	2014	2014	2015
<b>Net Profit</b>	343.938	294.950	389.758	201.042	371.801
Adjustment to reconcile net profit with net cash provided by operations	-245.234	-81.132	-206.892	17.296	-137.173
<b>Cash generated in operations</b>	98.704	213.818	182.866	218.338	234.628
Changes in operating assets and liabilities	104.734	-138.973	-12.282	-41.693	-210.830
<b>Net cash provided by operations</b>	203.438	74.845	170.584	176.645	23.798
Changes in PPE	-8.782	-7.484	-31.349	-7.219	-64.013
Changes in permanent invest.	-52.179	0	0	-289.780	-370.839
Deferred assets	614	-65.507	-60.363	-5.855	-1.908
Other	0	0	24.259	326.965	122.948
<b>Net cash after investment activities</b>	143.091	1.854	103.131	200.756	-290.014
Dividends	-166.040	-180.700	-196.246	-161.151	-212.565
Changes in financial debt	-379.397	-283.113	-818.158	-855.273	673.419
Financial expenses, net	950.000	0	1.000.000	0	0
Other	-2	0	0	976.402	-40.529
<b>Non-operating cash flow</b>	404.561	-463.813	-14.404	-40.022	420.325

Individual financial indicators

RENTABILIDAD	COLGAAP			IFRS	
	2012	2013	2014	2014	2015
Ventas Netas	602.326	517.303	693.677	635.912	1.096.781
EBITDA	434.656	359.703	347.568	224.558	517.870
Crecimiento en Ventas	61,62%	-14,12%	34,09%	22,93%	-27,53%
Crecimiento EBITDA	115,28%	-17,24%	-3,37%	-37,57%	30,62%
Margen Bruto	88,43%	86,56%	65,21%	55,43%	57,13%
Margen Operacional	72,13%	69,12%	49,03%	34,93%	46,07%
Margen Neto	57,10%	57,02%	56,19%	31,61%	33,90%
Margen EBITDA	72,16%	69,53%	50,11%	35,31%	47,22%
Ventas/ Activos	0,04	0,03	0,04	0,04	0,07
ROA	2,13%	1,91%	2,31%	1,32%	2,30%
ROE	2,45%	2,15%	2,58%	1,45%	2,63%

ACTIVIDAD	2012	2013	2014	2014	2015
KTNO	36.312	189.346	243.214	84.797	55.220
Productividad KTNO (Ventas/ KTNO)	16,59	2,73	2,85	7,50	19,86
Rot CxC	54	141	165	119	76
Rot CxP	666	370	190	183	142
Rot Inventarios	388	299	79	23	7
Ciclo de efectivo	-224	71	54	-41	-59

Liquidez	2012	2013	2014	2014	2015
Efectivo	554.261	92.302	181.029	181.143	311.454
Razon Corriente	0,75	0,64	2,48	2,00	1,91
Prueba Ácida	0,67	0,53	2,24	1,92	1,88

Endeudamiento	2012	2013	2014	2014	2015
Deuda bruta	1.850.628	1.512.715	1.539.196	1.028.277	1.676.333
Deuda neta	1.296.367	1.420.413	1.358.167	847.134	1.364.879
Deuda de CP (Monto)	801.271	373.158	0	30.429	128.373
Deuda de CP (%)	43,30%	24,67%	0,00%	2,96%	7,66%
Deuda de LP	1.049.357	1.139.557	1.539.196	997.848	1.547.960
Deuda de LP (%)	56,70%	75,33%	100,00%	97,04%	92,34%
Deuda /Patrimonio	13,2%	11,03%	10,21%	7,42%	11,86%
Deuda fin. / Pasivo Total	88,90%	86,40%	87,16%	76,40%	82,50%
Apalancamiento (Pasivo/ Patrimonio)	0,15	0,13	0,12	0,10	0,14

Coberturas	2012	2013	2014	2014	2015
Intereses/ Ventas	15,22%	12,57%	11,43%	2,18%	9,78%
EBITDA / Intereses	4,74	5,53	4,38	16,18	4,83
EBITDA / Deuda Fra.	0,23	0,24	0,23	0,22	0,31
Deuda bruta / EBITDA	4,26	4,21	4,43	4,58	3,24
Deuda neta /EBITDA	2,98	3,95	3,91	3,77	2,64
Servicio de la deuda	91.644	348.150	79.315	869.153	107.274
FCO/ Serv Deuda	2,22	0,21	2,15	0,20	0,22
Ebitda/ Serv Deuda	4,74	1,03	4,38	0,26	4,83

PROFITABILITY
Net sales
EBITDA
Sales growth
EBITDA growth
Gross Margin
Operating Margin
Net Margin
EBITDA Margin
Sales/ Assets
ROA
ROE

ACTIVITY
KTNO
Productivity KNTO (Sales/KNTO)
AR Turnover
AP Turnover
Inventories Turnover
Cash cycle

Liquidity
Cash
Current Ratio
Acid Test

Indebtedness
Gross debt
Net debt
S.T. Debt (Amount)
S.T. Debt (%)
L.T. Debt
L.T. Debt (%)
Debt /Equity
Fin. debt / Total Liabilities
Leverage (Liabilities/ Equity)

Hedging
Interest/ Sales
EBITDA / Interest
EBITDA / Fin. Debt
Gross debt / EBITDA
Net debt / EBITDA
Debt service
FCO/ Debt Service
Ebitda/ Debt Service

## V. MEMBERS OF THE TECHNICAL COMMITTEE

The profiles of the members of the Ratings Technical Committee are available at our website [www.brc.com.co](http://www.brc.com.co)