

## PRESS RELEASE

### **BRC Investor Services S.A. took various rating actions on Grupo Argos S.A. and its bond issue; removed negative outlook**

**Bogota, D.C. May 13, 2016** - The Technical Committee of BRC Investor Services S.A. SCV, on periodic review, has downgraded the issuer rating of Grupo Argos S.A. (GA) to 'AA+' from 'AAA' and removed the negative outlook. At the same time, it affirmed the short-term debt rating at BRC1+ and downgraded the long-term debt to AA+ from AAA, and removed the Negative Outlook for the Issue and Placement of Bonds and / or Commercial Papers Program of Grupo Argos S.A. for 1 trillion Colombian pesos (COP).

In 2015, the Group's total debt significantly increased to COP\$ 13.24 trillion compared to COP\$ 9.8 trillion in 2014. Therefore, its leverage (as measured by gross debt / EBITDA ratio) hit a record high of 5.02 times (x) the amount recorded in 2014, exceeding our and the Group's projections. This increase reflects the impact of the devaluation of the Colombian peso on the Group's debt obligations in U.S. dollars (which account for 53% of the total debt), the deterioration of the profitability of Celsia, and bank loans incurred by the conglomerate to finance its foray into the concessions business.

Another variable that significantly affected the consolidated leverage was the incorporation of Odinsa figures from October 2015. On the one hand, GA included the total debt of the new subsidiary but recorded revenues and EBITDA only for one quarter of the year. On the other hand, Odinsa increased its level of debt in December of 2015 to acquire 47% interest in Quiport. For this reason, although the figures of this subsidiary include only one month of income from that concession, the total debt incurred to finance the purchase was recorded. Normalizing the gross debt / consolidated EBITDA ratio of Grupo Argos for 2015 by including the total EBITDA generated by Odinsa and Quiport, this would have been 4.49x.

The 'AA+' rating reflects that in 2015, revenues and consolidated EBITDA of GA recorded the highest growth in its history (35.3% and 18.7%), reaching COP\$ 12.6 trillion and COP\$ 2.6 trillion, respectively. These results can be explained by the outstanding performance of its cement business and the positive impact of the devaluation of the Colombian peso in foreign sales and dollar-linked items. Also, the incorporation of its energy asset operations in Central America, the positive performance of power distribution activities in Colombia and the increase in other revenues due to the good results obtained in the real estate and ports businesses, and the sale of part of its investment portfolio. However, the drop in EBITDA of the energy business pushed the EBITDA margin of the Group down to 21% in 2015 compared to 23.9% in 2014.

In our opinion, the three strategic businesses of the organization (cement, energy and concessions) have strong positions in the markets they serve and have positive revenue and

EBITDA growth expectations in the medium term. However, the resources from these operations would not be sufficient for GA to steadily reduce its leverage to levels consistent with a 'AAA' rating (gross debt / EBITDA between 2x and 3x) over the next three years. Therefore, although we forecast that this indicator would maintain the downward trend identified in the last review, this adjustment would be slower than initially estimated, so that its average value would be 3.8x between 2016 and 2018. This dynamic is due to the consolidated increase in the total debt of Grupo Argos, as a result of including the figures of the concessions of Dominican Republic in the financial statements of Odinsa, and the new loans that Cementos Argos would require to leverage its capital expenditure (CAPEX) needs over the next three years.

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