BRC
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Colombia

Rating Report

GRUPO ARGOS S.A. ORDINARY BONDS AND/OR COMMERCIAL PAPER ISSUING AND PLACEMENT PROGRAM

Technical Committee: May 8, 2017
Minute number: 1144

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PERIODIC REVIEW	
LONG TERM DEBT **SHORT TERM DEBT**	**'AA+'** **'BRC1+'**
Amounts in millions of Colombian pesos (COP) as of December 31, 2016	Rating history:
Assets: COP 44,749,574. Liabilities: COP 21,114,978. Shareholders' equity: COP 15,606,828. Minority interest: COP 8,027,768. EBITDA: COP 3,620,426. Net profit: COP 589,466.	Periodic review Dec./2016: 'AA+''BRC1+' Periodic review May./2015: 'AAA' Negative outlook 'BRC1+' Initial rating May./2014: 'AAA' 'BRC1+'

PROGRAM FEATURES

Securities:	Ordinary bonds/Commercial paper
Issuer:	Grupo Argos S.A.
Rated amount *:	COP 1,500,000,000,000 (Colombian pesos)
Amount placed **:	Bonds: COP 1,000,000,000,000 Commercial paper: COP 350,000,000,000
Date of Issue and Placement:	Bonds: September 10, 2014 Commercial paper: July 6, 2017
Bond features:	(see table below)
Features of the commercial paper:	Amount: COP 350,000,000,000 Cut-off rate: 6.14%
Guarantees and subordination:	Neither the bonds nor the commercial paper are backed by real guarantees; consequently they are non-secured obligations of the issuer.
Manager:	Depósito Centralizado de Valores S.A.
Legal Representative of Holders:	Alianza Fiduciaria S.A.
Structuring agent:	Banca de Inversión Bancolombia S.A.
Placement agent:	Valores Bancolombia S.A.

Bond features:

Term (years)	Amount (million)	Effective rate	Form of payment of interest	Maturity Date	Payment of Principal
2	$108,365	DTF + 0.87%	Month in arrears	10-sep-16	At maturity
3	$132,250	IBR + 1.18%	Quarter in arrears	10-sep-17	At maturity
5	$114,963	IPC + 3.10%	Quarter in arrears	10-sep-19	At maturity
10	$254,318	IPC + 3.95%	Quarter in arrears	10-sep-24	At maturity
15	$390,104	IPC + 4.24%	Quarter in arrears	10-sep-29	At maturity
Total	**$1,000,000**				

*On June 20, 2017, the Financial Superintendence of Colombia authorized an increase in the global limit of the company's Ordinary Bonds and Commercial Paper Issuing and Placement Program for an additional amount of COP 500,000,000,000.
**On July 6, 2017 Grupo Argos issued commercial paper in the amount of COP 350,000,000,000. The funds of this issue will be used to substitute financial liabilities.

INTRODUCTION

In 2016 Grupo Argos (hereinafter, GA) changed its method for subsequent measurement of investment properties to the fair value of cost model. With this change, the issuer seeks to more clearly reflect its actual financial situation and to align the accounting practices of its real estate business with those adopted by other market participants. The valuation of land is the item most affected by this change, because in the case of the group, such properties are held mainly for new urban or other real estate development projects.

To reflect the impact of the new policy, GA decided to re-express its 2015 financial statements, which we have used for this report. We believe this change does not affect our analysis, given that the final net adjustment was $63 billion Colombian pesos (COP – see Annex 2), equivalent to less than 1% of the group's consolidated shareholders' equity.

I. BASIS FOR THE RATING

The Technical Committee of BRC Investor Services S.A. SCV, during its periodic review, confirmed the short-term debt rating of 'BRC1+' and the long-term debt rating of 'AA+' for the Grupo Argos S.A. Ordinary Bonds and/or Commercial Paper Issuing and Placement Program in the amount of 1.5 trillion Colombian pesos (COP).

In 2016, GA surpassed our expectations in reducing its consolidated leverage in terms of net debt/EBIDTA to 3.66 times (x) from 4.39 x in 2015. Even though this indicator remains higher than that of companies with high ratings (at less than 3x), we believe the 2016 results are outstanding given the high level of investments undertaken by the issuer and its affiliates and the adverse conditions faced by some of its businesses.

These results are thanks to the role of strategic architect that the conglomerate has taken on towards its affiliates since late 2015. In this new role, GA aims to actively participate in the definition of the goals of its main businesses based on the premise of increased profitability for its shareholders through synergies between its investments and efficient capital turn-around. To this end, the issuer has established four working fronts (financial, strategic, management and institutional) and has consolidated a financial team responsible for improving efficiency in the coordination, jointly with the affiliates, of mergers and acquisitions and treasury strategies.

This strategy, combined with the group's flexibility in terms of its access to different sources of financing, enabled it to carry out acquisitions of close to COP4.5 trillion between September, 2015 and January, 2017 and to finance only approximately 20% of this amount with bank loans. Some of the tools used by the issuer and its subsidiaries to cover the remaining 80% of these investments include the sale of non-strategic assets, divestments of surplus controlling interests in some of its companies and the inclusion of strategic partners who contribute capital to the projects under development. This also includes the possibility of issuing preferred shares and use of its negotiation power to obtain credit lines required by the group from national and international banks.

In the mid-term, we expect the implementation of these financing tools to enable GA to carry out its growth and expansion plan, while avoiding such funding from generating additional pressure over its consolidated debt indicators. The above is given that, as a result of its ongoing search for new opportunities of expansion and growth, the issuer and its affiliates may once again increase their financial obligations beyond our forecast level of consolidated net debt /EBITDA in upcoming years. Such forecasts assume a gradual reduction of this ratio towards a level of 3.1 x by 2019. This trend in its leverage indicators has been noted in previous reviews and is one of the aspects that limit the rating.

GA's consolidated revenues increased by 14.6% in 2016 to COP 14.6 trillion, which includes a full year of results of Odinsa and of the concession for the Quito International Airport (Quiport). Even though such growth is lower than that of the previous two years (see Table 1), we highlight the positive impact the group's diversification of geographies and industries has had on its results. This has enabled it to offset the sluggish results of its cement and energy operations in Colombia in that year, thanks to the favorable dynamics of its investments in United States and Central America and the addition of the concessions business to its portfolio.

Table 1. Breakdown of consolidated revenues of Grupo Argos

Business	2014	2015	2016
Cement	5,831,489	7,912,003	8,517,382
Energy	2,588,484	3,691,698	3,794,910
Concessions	0	294,360	1,485,594
Others and eliminations	63,262	71,886	385,617
Portfolio and real estate	813,054	730,357	369,381
Total	**9,296,289**	**12,700,304**	**14,552,884**
Share of business	**2014**	**2015**	**2016**
Cement	62.7%	62.3%	58.5%

Table 1. Breakdown of consolidated revenues of Grupo Argos (continued)			
Energy	27.8%	29.1%	26.1%
Concessions	0.0%	2.3%	10.2%
Others and eliminations	0.7%	0.6%	2.6%
Portfolio and real estate	8.7%	5.8%	2.5%
Total	**100.0%**	**100.0%**	**100.0%**
Growth by business	**2014**	**2015**	**2016**
Cement	17.4%	35.7%	7.65%
Energy	8.7%	42.6%	2.80%
Concessions	N/A	N/A	404.69%
Others and eliminations	-125.8%	13.6%	436.43%
Portfolio and real estate	54.8%	-10.2%	-49.42%
Total	**21.8%**	**36.6%**	**14.59%**
Region	**2014**	**2015**	**2016**
Colombia	5,179,790	6,896,034	6,858,876
Central America and Caribbean	1,128,621	2,111,732	2,561,536
United States	2,194,141	3,415,549	4,237,868
Other	793,737	276,989	894,604
Total	**9,296,289**	**12,700,304**	**14,552,884**
Share by region	**2014**	**2015**	**2016**
Colombia	55.7%	54.3%	47.1%
Central America and Caribbean	12.1%	16.6%	17.6%
United States	23.6%	26.9%	29.1%
Other	8.5%	2.2%	6.1%
Total	**100.0%**	**100.0%**	**100.0%**
Growth by region	**2014**	**2015**	**2016**
Colombia	2.6%	33.1%	-0.5%
Central America and Caribbean	34.8%	87.1%	21.3%
United States	56.4%	55.7%	24.1%
Other	132.0%	-65.1%	232.9%
Total	**21.8%**	**36.6%**	**14.7%**

Source: Grupo Argos and affiliates. Amounts in millions of COP. Revenues in Colombia include resources derived from non-strategic businesses (real estate and ports).

Based on GA's strategy for its businesses and assets, we forecast that in 2017 total revenues will grow at a rate similar to that of 2016, as a result of the incorporation of all annual sales of the Martinsburg cement plant (eastern Virginia, United States), of the consolidation of the figures of Opain following acquisition of control by the conglomerate in January, 2017, and stronger performance of the local operation of Odinsa with the start up of construction of the road concessions of La Pintada and the Malla Vial del Meta. In the two following years we expect growth of consolidated revenues of between 4% and 7% due to an increase in local cement consumption as a result of the development of 4G concessions, normalization of electric power generation in Colombia, the launch of distribution projects and our expectation that Odinsa will maintain the positive performance we anticipate for 2017.

As a result of its aggressive international expansion strategy, Cementos Argos (CA) remains the group's most important subsidiary, contributing close to 60% of consolidated revenues. Continued strengthening of its operation in United States, the strong growth of its business in Central America and the recovery we expect in its business in Colombia will help this subsidiary maintain its current share over the medium term. On the other hand, the concessions business will double its share of GA's total revenues to 18%, mainly as a result of the consolidation of the sales of Opain in an amount close to COP 1 trillion. As a result of the greater growth of the cement and concessions businesses, the share of group revenues of Celsia, its electric power affiliate, will fall slightly, despite the stabilization of its generation business in Colombia, In 2016 GA managed to increase consolidated EBITDA to 37.4%, which grew at a faster pace that its 14.6% increase in revenues. This increase translates into an improved EBITDA margin of 24.9% versus 20.7% in 2015 (see Table 2). This is the result of a rapid recovery of the profitability indicators of its energy business, which is in turn the result of the early start of the rainy season in April, 2016 and of the effectiveness of the business and operating steps taken by Celsia. Another contributor was the increase in the EBITDA of Odinsa, which is the result of an increased focus in its investment portfolio, and the greater absorption of fixed costs by CA in United States thanks to the increase in its sales volume in that country.

Table 2. Breakdown of consolidated EBITDA of Grupo Argos

Business (1)	**2014**	**2015**	**2016**
Cement	1,060,000	1,518,931	1,594,768
Energy	894,000	709,352	1,014,958
Concessions	0	58,379	485,624
Others and eliminations	-63,383	-515,791	-481,096
Portfolio and real estate	334,000	863,762	1,006,172
Total	**2,224,617**	**2,634,633**	**3,620,426**

Share of business	**2014**	**2015**	**2016**
Cement	47.6%	57.7%	44.0%
Energy	40.2%	26.9%	28.0%
Concessions	0.0%	2.2%	13.4%
Other businesses	-2.8%	-19.6%	-13.3%
Portfolio and real estate	15.0%	32.8%	27.8%
Total	**100.0%**	**100.0%**	**100.0%**
Growth by business	**2014**	**2015**	**2016**
Cement	8.4%	43.3%	5.0%
Energy	3.4%	-20.7%	43.1%
Concessions	N/A	N/A	731.8%
Other businesses	-76.6%	713.8%	-6.7%
Portfolio and real estate	-0.5%	158.6%	16.5%
Total	**16.7%**	**18.4%**	**37.4%**

EBITDA margin	**2014**	**2015**	**2016**
Cement	18.2%	19.2%	18.7%
Energy	34.5%	19.2%	26.7%
Concessions	N/A	19.8%	32.7%
Other businesses	-100.2%	-717.5%	-124.8%
Portfolio and real estate	41.1%	118.3%	272.4%
Total	**23.9%**	**20.7%**	**24.9%**

Region	**2014**	**2015**	**2016**
Colombia	1,614,282	1,531,397	1,855,581
Central America and Caribbean	314,274	652,683	1,037,113
United States	114,531	303,436	552,648
Other	181,530	147,117	175,085
Total	**2,224,617**	**2,634,633**	**3,620,427**

Table 2. Breakdown of consolidated EBITDA of Grupo Argos (continued)

Share by region	**2014**	**2015**	**2016**
Colombia	72.6%	58.1%	51.3%
Central America and Caribbean	14.1%	24.8%	28.6%
United States	5.1%	11.5%	15.3%
Other	8.2%	5.6%	4.8%
Total	100.0%	100.0%	100.0%

Growth by region	**2014**	**2015**	**2016**
Colombia	-10.3%	-5.1%	21.2%
Central America and Caribbean	63.7%	107.7%	58.9%
United States	308.9%	164.9%	82.1%
Other	-262.4%	-19.0%	19.0%
Total	16.7%	18.4%	37.4%

Source: Grupo Argos and affiliates. Amounts in millions of COP. Revenues in Colombia include resources derived from non-strategic businesses (real estate and ports).
(1) This is the final EBITDA contributed by each business, which is different from that reported by each affiliate.

We estimate that consolidated EBITDA margin will fall slightly in 2017 due to our expectation that the Colombian cement market will remain under competitive pressure, as we observed in 2016, and to the temporarily lower profitability of Odinsa due to the investments it requires to develop the concessions of La Pintada and Malla Vial del Meta. For 2018 and 2019, we expect EBITDA margin to improve by between 100 and 300 basis points compared to 2016, as a result of larger cement volumes to be required by the 4G concessions, and of the EBITDA to be contributed both by the project of Plan 5 Caribbean that will come on stream, as well as completion of the functional units of the national concessions that Odinsa is building.

We highlight the importance that GA's overseas operations have acquired in recent years, which in 2013 contributed close to 30% of consolidated revenues and 12% of consolidated EBITDA, and in 2016 their share increased to 50% and 44%, respectively. Strengthening of the cement business in United States, the ongoing implementation of operating excellence programs at all affiliates and the devaluation of the Colombian peso are the main drivers of this change. Even though we expect these markets to maintain the dynamics of recent years, we do not expect substantial growth in their contribution to consolidated revenues and EBITDA in the medium term, due to the positive impact of the consolidation of Opain on the results of the operation in Colombia.

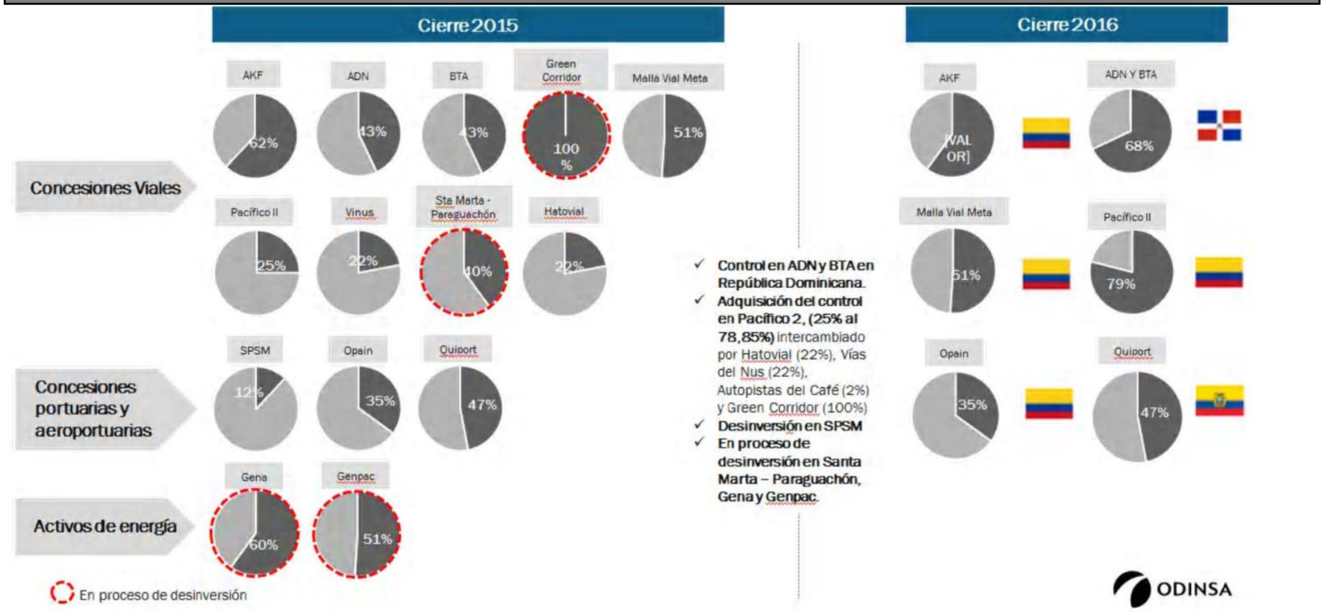
GA's strategic objective is to become a major player in the businesses it is involved in, a goal it has already attained in the cement and energy businesses. This is the result of the consistent implementation of a clear and defined long-term strategy that contemplates ongoing investments to increase organic and non-organic growth and the continuous generation of efficiencies, synergies and operating savings. The latter is reflected in the steps taken on this matter that it continuously implements in each of its businesses as well as programs with a cross-cutting impact such as SUMMA, the shared services center of the group's strategic affiliates launched in 2016.

With the acquisition of the plant at Martinsburg, CA became the second-largest concrete maker and the fourth-largest cement maker in United States. This strengthens its leadership position in the countries where it does business because it is the most important cement company in Colombia and one of the two most relevant players in the markets of Honduras, Panama and French Guiana.

Celsia is ranked in fourth place in the generation business and in the fifth place in electric power distribution in Colombia; it is the second-largest generator in Panama and the fifth-largest in Costa Rica. Even though it is not the leader in any of these countries, its assets are relevant for those markets because it owns the most important thermal generation plants of the Colombian and Panamanian electricity markets, and its wind energy farm in Costa Rica is one of the first private electric power generation initiatives in that country, and for this reason it holds a 20-year PPA contract with the government.

Through Odinsa the issuer aims to become one of the most important players in the road and airport concessions market in Latin America. To this end, in 2016 the group increased its shareholdings stake in the company to 98.55% from 54.75% in 2015.The cost of the transaction was COP 815 billion, 83% of which was financed through an issue of GA preferred shares, and the remaining 13% in cash. Additionally, Odinsa cleaned out its investment portfolio to focus on six projects, four of which are in operation (Autopistas del Café [AKF], Autopistas del Nordeste [ADN] and Boulevard Turístico del Atlántico [BTA]), Opain and Quiport) and two under construction (La Pintada and Malla Vial del Meta – see Graph 1).

Graph 1
Restructuring of the portfolio of Odinsa



Source: Odinsa.

In 2016, greater cement imports, the economic slowdown, rising inflation due to extraordinary events such as the El Niño weather phenomenon and the truck drivers' strike in July, and delays in the start of construction of some 4G concessions, produced a 20% and 13% drop in cement and concrete sales volumes in Colombia, respectively. This in turn caused a reduction in the contribution of CA to the region's revenues and EBITDA to 30.5% and 40.4%, respectively, from 37.6% and 57.7% in 2015.

CA managed to partially offset the lower profitability of its Colombian operations with the positive performance of its overseas businesses (see Table 3), so that overall sales increased by 7.7% and its EBITDA margin remained similar to that of 2015 (19.4%). This is the result of the good performance of the economies of United States, Panama and Honduras and the strengthening of its operations and logistics networks in those countries thanks to various acquisitions and investments made in recent years. Another contributing factor was the effectiveness of the marketing strategy implemented in those countries, and the launch of the BEST program (*Building Efficiency and Sustainability for Tomorrow*) in the various regions.

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

Colombia			
	2014	**2015**	**2016**
Revenues	2,510,019	2,977,169	2,595,269
EBITDA	667,631	876,982	666,964
Revenue growth	-1.6%	18.6%	-12.8%
EBITDA margin	26.6%	29.5%	25.7%
EBITDA growth	-26.1%	31.4%	-23.9%
United States			
	2014	**2015**	**2016**
Revenues	2,194,141	3,415,549	4,237,868
EBITDA	114,531	303,436	552,648
Revenue growth	56.4%	55.7%	24.1%
EBITDA margin	5.2%	8.9%	13.0%
EBITDA growth	308.9%	164.9%	82.1%

Table 3. Breakdown of revenues and EBITDA of Cementos Argos by region (continued)

Central America			
	2014	**2015**	**2016**
Revenues	1,083,485	1,482,177	1,681,695
EBITDA	317,497	459,071	631,534
Revenue growth	29.4%	36.8%	13.5%
EBITDA margin	29.3%	31.0%	37.6%
EBITDA growth	65.4%	44.6%	37.6%
Other revenues	29,484	37,108	2,550
Other EBITDA	-131,512	-120,556	-199,397
Total			
	2014	**2015**	**2016**
Revenues	5,817,129	7,912,003	8,517,382
EBITDA	968,147	1,518,933	1,651,749
Revenue growth	17.1%	36.0%	7.7%
EBITDA margin	16.6%	19.2%	19.4%
EBITDA growth	-1.0%	56.9%	8.7%
Share of revenues	**2014**	**2015**	**2016**
Colombia	43.1%	37.6%	30.5%
United States	37.7%	43.2%	49.8%
Central America and Caribbean	18.6%	18.7%	19.7%
Share of EBITDA	**2014**	**2015**	**2016**
Colombia	69.0%	57.7%	40.4%
United States	11.8%	20.0%	33.5%
Central America and Caribbean	32.8%	30.2%	38.2%

Source: CA. Amounts in millions of COP.

For 2017 we forecast a slight reduction in the EBITDA margin of CA, as we expect the challenges of the Colombian cement market to continue as a result of strong competition in the retail sector and possible delays in starting up construction of the functional units of the 4G concessions scheduled for the second half of the year. Starting in 2018 we forecast gradual recovery of this indicator as a result of normalization of the Colombian market through activation of demand from the infrastructure projects, the achievement of operating synergies thanks to implementation of the BEST program and our expectation of continued good performance of the company's operations in United States and Central America, given the positive trends of the macroeconomic indicators of those markets and the effectiveness of its business strategy.

In upcoming reviews we will follow up on the evolution of the use of installed capacity of the assets of CA in United States, because it is lower than that of other participants in that market. Even though the revenues of this operation have posted double-digit growth in the last four years, installed capacity has increased at an even higher rate due to the company's aggressive expansion strategy in that country, which has produced an increase in fixed costs. Greater operating leverage through a sales increase would enable the group's affiliate to mitigate the impact of this strategy on profitability in this region.

However, over the long term, EBITDA margin of the operation in United States is expected to remain below that of Colombia and Central America due to the high level of industrialization of that market and its size. The former feature translates into greater consumption of concrete, a product that is less profitable than cement because it requires additional equipment for delivery. The latter feature implies less flexibility to use surplus capacity in one state to meet demand in the other because of the high transportation costs involved in long travel distances.

The increase in rainfall levels starting in the second quarter of 2016 produced lower demand for thermal power generation by the National Inter-connection System (SIN by its acronym in Spanish). This produced lower demand for energy purchases from Celsia in the wholesale market and lower fuel consumption and an increase in hydroelectric generation, which helped improve the profitability of its generation business and increased its EBITDA margin to 27.18% in 2016 from 18.52% in 2015 (see Table 4). Adjustments to its contracting policy and steps taken to reduce its cost and expense structure are other factors that contributed the improved profitability of the affiliate. In 2017, we expect results at the company to fully return to normal and its EBITDA margin to return to levels similar to those recorded before the El Niño weather phenomenon. Starting in 2018, we expect gradual increases in this indicator, primarily as a result of the projects of Plan 5 Caribbean coming on stream.

Table 4. Breakdown of revenues and EBITDA of Celsia - Revenues

Revenues breakdown

	2014	**2015**	**2016**
Generation-Colombia	**1,640,560**	**1,978,025**	**1,906,777**
Growth %	*7.6%*	*20.6%*	*-3.6%*
Distribution-Colombia	**837,700**	**954,739**	**1,081,819**
Growth %	*9.1%*	*14.0%*	*13.3%*
Other revenues-Colombia	**88,888**	**131,345**	**108,763**
Growth %			
Revenues Colombia COP	**2,567,148**	**3,064,109**	**3,097,359**
Growth. Colombia	*7.8%*	*19.4%*	*1.1%*
Revenues CCA-COP	**25,927**	**627,589**	**697,551**
Growth Central America and Caribbean	*N/A*	*2320.6%*	*11.1%*
Total revenues	**2,593,075**	**3,691,698**	**3,794,910**
Revenue growth totals	*8.9%*	*42.4%*	*2.8%*

EBITDA breakdown

	2014	**2015**	**2016**
EBITDA Colombia-Generation	631,644	177,418	433,681
Growth %	*4.3%*	*-71.9%*	*144.4%*
EBITDA margin	*36.5%*	*8.4%*	*21.5%*
EBITDA Colombia-Distribution	276,624	312,514	337,515
Growth %	*6.7%*	*13.0%*	*8.0%*
EBITDA margin	*33.0%*	*32.7%*	*31.2%*
EBITDA Colombia	908,268	489,932	771,196
Growth %	*5.1%*	*-46.1%*	*57.4%*
EBITDA margin	*35.4%*	*16.0%*	*24.9%*
EBITDA Central America COP	-3,223	193,612	260,179
Growth %		-6107.2%	34.4%
EBITDA margin	*-12.4%*	*30.9%*	*37.3%*
EBITDA Total	**905,045**	**683,544**	**1,031,375**
Growth %	*4.7%*	*-24.5%*	*50.9%*
EBITDA margin	*34.9%*	*18.5%*	*27.2%*

Source: Celsia. Amounts in millions of COP.

We believe Celsia's greater participation in the distribution sector will help it increase the stability and predictability of its revenues, because the impact of changes in rainfall levels is lower in this business than in generation. We highlight the positive results of the renewable non-conventional energy segment in 2016 and the first quarter of 2017 and its improved EBITDA margins compared to the traditional business. However, the mid-term impact of these new businesses on the company's profitability and indebtedness indicators is low because their revenues are not yet significant.

We consider operational strengthening of Celsia's thermal activity in Colombia to be positive, because in our opinion it will enable it to be prepared to face future dry seasons and to mitigate their effect on its finances. Such strengthening is derived primarily from securing the gas requirements for its thermal assets by the operational start-up of the re-gasification plant in Cartagena (with which the Celsia Free Trade Zone has a ten-year production and storage agreement) and the signing of a three-year gas supply option for Meriléctrica.

Another aspect that should strengthen the group's energy business is the planned adjustment to the shortage price formula used by the Energy and Gas Regulatory Commission (CREG by its acronym in Spanish) in 2017. Based on the current draft (resolution 252 of 2016), the amounts recognized by SIN through such price would enable Celsia to cover its thermal generation costs with liquefied natural gas even in a scenario similar to that of the latest El Niño weather phenomenon. Such scenario is radically different from what was observed in the first quarter of 2016, when regulations then in effect only recognized part of the costs of such operation. We will follow up on the final regulation issued by CREG on this matter, given the importance of this variable for the company.

The 2016 financial statements of Odinsa underwent structural changes that caused substantial variations compared to 2015 and limit their comparability. The most important changes were the consolidation of the figures from ADN, BTA and La Pintada and classification of its energy investments as non-continuous operations. As a result, the company no longer posts the revenues derived from the energy assets it had in Chile and Panama ($289 billion in 2015), which are to be sold in 2017. This reduction was offset with extraordinary revenues in the amount of COP 665,094 million posted by the affiliate upon recognition of the new concessions using the fair value model. This latter change did not have a countervailing cash effect and temporarily increased the company's EBITDA margin to 71.7% in 2016 from 32.7% in 2015 (Table 5). Based on a pro-forma exercise to eliminate such effect, this ratio for 2016 would have been 44.4%.

Table 5. Breakdown of revenues and EBITDA of Odinsa

		Actual	
	2014	**2015**	**2016**
Revenues	**782,252**	**902,924**	**1,485,594**
Growth %	*-10.5%*	*15.4%*	*64.5%*
Road concessions	**422,354**	**530,899**	**851,032**
Growth %	*-46.2%*	*25.7%*	*101.5%*
Airport concessions	**0**	**20,755**	**100,544**
Growth %	*N/A*	*N/A*	*384.4%*
Others and eliminations	359,898	351,269	534,018
		Actual	
	2014	**2015**	**2016**
EBITDA	**193,373**	**295,922**	**1,065,830**
EBITDA growth %	*-29.9%*	*53.0%*	*260.2%*
EBITDA margin	*24.7%*	*32.8%*	*71.7%*
Road concessions	**168,659**	**156,686**	**378,686**
Growth %	*-43.3%*	*-7.1%*	*141.7%*
EBITDA margin	*39.9%*	*29.5%*	*44.5%*
EBITDA share	*87.2%*	*52.9%*	*35.5%*

Table 5. Breakdown of revenues and EBITDA of Odinsa (continued)			
Airport concessions	**0**	**29,295**	**82,222**
Growth %	N/A	N/A	*180.7%*
EBITDA margin		*141.1%*	*81.8%*
EBITDA share	*0.0%*	*9.9%*	*7.7%*
Others and eliminations	24,714	109,940	604,922

Source: Odinsa. Amounts in millions of COP.

In 2017, the revenues of the concessions business of GA are expected to increase due to the inclusion of a full year of results of the projects over which control was acquired in 2016, and our expectation is that the concessions currently in operation will maintain the good traffic performance of recent years. However, we expect temporary pressures on EBITDA margin in 2017 and 2018 due to the greater costs it will have to incur for the construction of La Pintada and the Malla Vial del Meta. We estimate that by 2019 this indicator will return to levels similar to those of 2015, upon maturity of Odinsa's projects and the consolidation of Opain results.

We will monitor the evolution of two arbitration proceedings Odinsa is involved in related to the concessions of Autopistas del Café and Concesión Vial de los Llanos because of the strategic importance of these assets for the entity and the group. The first was summoned by the National Infrastructure Agency (ANI by its acronym in Spanish) and seeks to settle differences regarding fulfillment of conditions to terminate the concession contract. The second was filed by Concesión Vial de Los Llanos to review with ANI the scope and viability of the project, given the impact that the drop in oil prices had on the traffic estimates for this concession.

During 2016, GA maintained the favorable performance of its real estate business and it consolidated key partnerships for the future growth of the ports business, such as that entered into with APM Terminals to operate the cargo terminal of Cartagena. In terms of the former, revenues of its urban development line grew by 14.1% thanks to higher sales of developed properties. Pactia, the private capital fund created by the group jointly with Conconcreto, consolidated during its first year of operations a diversified asset portfolio involving five segments: commercial, industrial, offices, hotels and self-storage. It is worth highlighting the involvement of the Protección pension fund as a partner with a contribution of up to COP 600 billion; such funds would be used to leverage its expansion plan and to reduce future capital commitments of the conglomerate. Once Protección completes its contribution in 2018, GA's stake in the fund would drop to close to 32% from 44.06% in 2016. We expect the group to maintain these positive results over the medium term, even though the revenues from these businesses account for less than 5% of total revenues.

In 2016, consolidated gross indebtedness grew by 14.49% as a result of a bridge loan taken out by CA in the amount of US$ 534 million to finance the acquisition of the Martinsburg plant and to add to the debt of Odinsa the financial obligations of BTA and ADN (COP 800 billion, approximately). GA offset this increase in indebtedness through a 37.4% increase in EBITDA, in such a manner that the consolidated net debt /EBITDA ratio fell to 3.66 x in 2016 from 4.39 x in 2015. The improvement of this indicator was above the estimate of our previous review, because the energy business recovered at a faster rate than we expected.

In 2017 and 2018 Odinsa and Celsia have scheduled investments in the amount of COP 2.8 trillion for construction of the 4G concessions awarded to the former and the development of distribution projects and new businesses for the latter. According to our forecast, financing of these capital expenditures (capex) will increase consolidated indebtedness, taking the group's net debt /EBITDA ratio to between 3.5 x and 4 x during those years. By 2019 we expect this indicator to drop to between 3 x and 3.5 x as a result of the positive impact that these projects coming on line will have on the EBITDA of the concessions and energy businesses. In this regard, we will follow up on the effectiveness of GA's investment optimization strategy for its affiliates, as it may have a favorable effect on the group's leverage level, which is one of the main limitations of its rating.

Regarding the cement business, we expect its leverage indicators to improve in 2017, once the bridge loan it took out in 2016 is paid off and thanks to the lower investment requirements arising from its decision to postpone the expansion of its Sogamoso plant in Colombia. We highlight that as of April, 2017 CA had divested most of its non-strategic assets in order to cover the mentioned bridge loan, and was implementing light technologies in its production processes to increase capacity with lower capex expenditures.

The acquisition of control over some assets abroad and the acquisition of other assets led to an increase in the share of debt obligations denominated in foreign currency over consolidated debt to 58.1% in 2016 from 51% in 2015. We estimate that in 2017 this share will return to values of close to 50% once CA covers the full amount of its bridge loan.

The group mitigates its exposure to currency exchange risk by means of natural hedging, based on its investments in United States and Central America. Thanks to their good performance, said operations increased their share of consolidated EBIDTA to 50% in 2016, compared to 30% in 2013. Additionally, both the conglomerate and its affiliates perform ongoing individual analysis of their assets and liabilities denominated in dollars, based on which they establish their net position and arrange hedging by means of financial derivates when required.

Even though consolidated self-generated resources have been on a growth trend in recent years, it has not been sufficient to cover its CAPEX requirements due to the aggressive investment and acquisitions plan it has carried out. Consequently, the group has posted continuous negative consolidated free cash flow (FCF) since 2013. Even though we expect no changes in this situation, given its ongoing search for opportunities to expand its strategic businesses, we do not believe this will create a liquidity risk for GA, because it has the flexibility required to gain access to different sources to fund these investments.

GA and its affiliates have clear and well-defined corporate governance policies, an aspect we evaluate positively. They also continuously share information on their performance and strategies with their shareholders and investors through their website and quarterly teleconferences. The policy of engagement with related companies has been regulated, as defined in the Code of Best Corporate Practices of the Financial Superintendence of Colombia.

II. OPPORTUNITIES AND THREATS

What could lead us to upgrade

BRC Investor Services S.A. SCV has identified the following opportunities that could lead to an improvement on the current rating:

- Continued use of alternative financing sources by the group and its affiliates to leverage the expansion plan without putting pressure on indebtedness indicators.
- A reduction in group consolidated leverage levels so as to maintain its net debt / EBITDA ratio below 3 x during the next three years.
- The scope of the expected synergies of the issuer and its affiliates of its BEST and SUMMA programs
- Favorable resolution of the challenges faced by each strategic business

What could lead us to downgrade

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

- An increase in consolidated indebtedness in such a manner that the net debt /EBITDA ratio is above 4 x in a sustained manner.
- Delays in development of the 4G projects with substantial impact on meeting the forecast revenues and EBITDA of Cementos Argos.
- Unfavorable rulings in the arbitration proceedings currently under way involving Odinsa.
- Delays in development of the civil works of projects under construction awarded to Odinsa that generate delays in the delivery of functional units, and consequently the reception of revenues.
- Deterioration of the organization's liquidity level.

III. THE ISSUER AND ITS BUSINESS

Grupo Argos is a conglomerate with sustainable investments in the infrastructure sector in the following industries: cement (Cementos Argos), energy (Celsia, rating 'AA+' assigned by BRC) and road and airport concessions (Odinsa). In addition to its strategic businesses, GA is involved in the ports business (Compas), it is a partner of a real estate fund (Pactia), it owns land banks for urban development (Situm) and it holds a solid investment portfolio in the financial and food products industry (see Graph 2).

Its main registered office is in Medellin, Colombia. Through its businesses it is present in 18 countries and territories: Colombia, United States, Panama, Honduras, Dominican Republic, Haiti, French Guiana, Surinam, Antigua, St. Martin, St. Thomas, Curacao, Puerto Rico, Venezuela, Costa Rica, Chile, Ecuador and Aruba.

Graph 2
Breakdown of the investment portfolio of Grupo Argos as of year-end 2016

Source: Grupo Argos

The main shareholders of GA are Grupo Nutresa and Grupo Sura (see Graph 3), which are companies focusing on food products and the financial sector, respectively. These three entities maintain crossed shareholding with each other, and form part of the non-strategic portfolio of Grupo Argos (see Graph 2). The good performance of the group's businesses has drawn the attention of institutional investors, which hold both ordinary and preferred shares. These include pension funds and foreign funds.

Graph 3
Shareholder make-up of Grupo Argos

Source: Grupo Argos .These are ordinary shares.

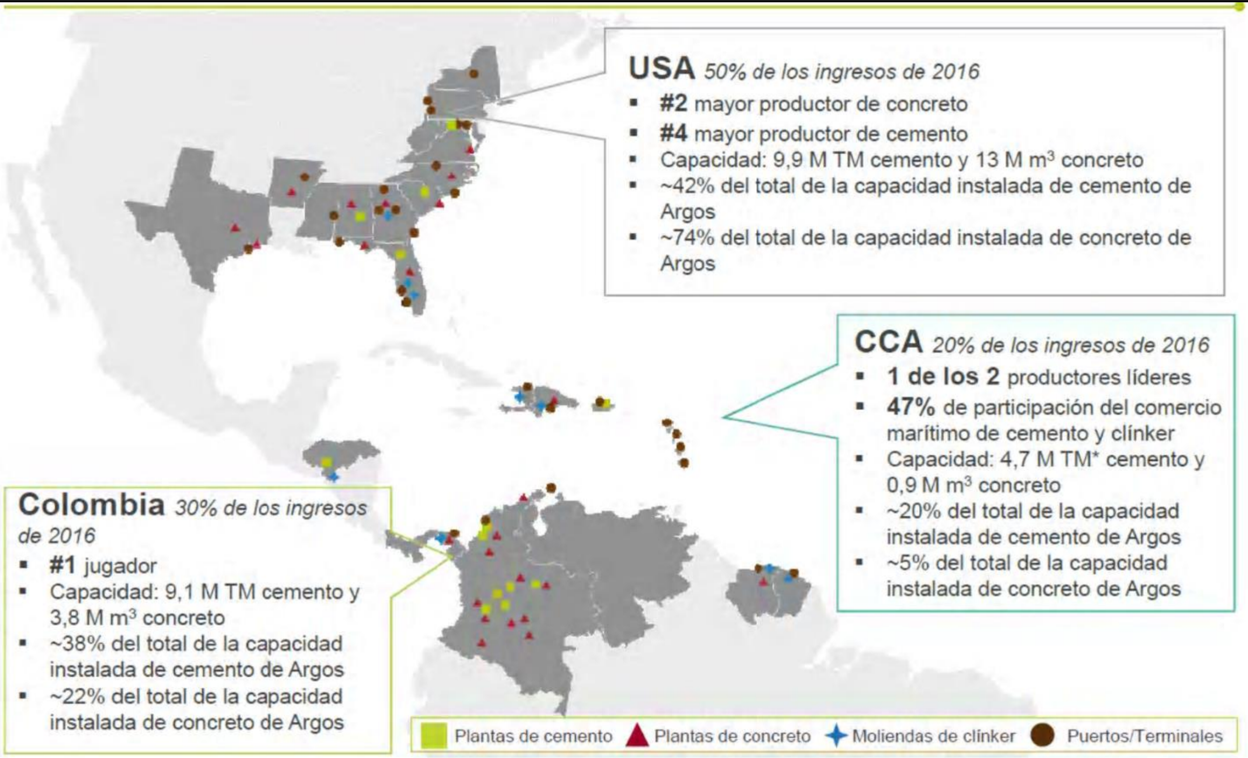
At the top of the organizational structure of GA is the Assembly of Shareholders, which holds ordinary meetings once a year. It is followed by the Board of Directors, comprised by seven members, all of them principals, five of whom fulfill the criteria of independence set forth both in Colombian law and in the group's Governance Code. The Board has three support committees (Audit, Finance and Risk; Sustainability and Corporate Governance; and Appointments and Remuneration); it meets every two months and its members are elected by the Assembly for two-year terms.

<u>Strategic Businesses</u>

Cementos Argos S.A.

It is the group's oldest subsidiary, with over 80 years in existence. Its main business is cement, concrete and derivative products. It does business in three regions: Colombia, Central America (Panama, Honduras and French Guiana, primarily) and in southeastern United States (see Graph 4). As of December, 2016 its installed capacity was 23.7 million metric tons of cement and 17.7 million cubic meters of concrete.

Graph 4
Distribution of Cementos Argos assets by region

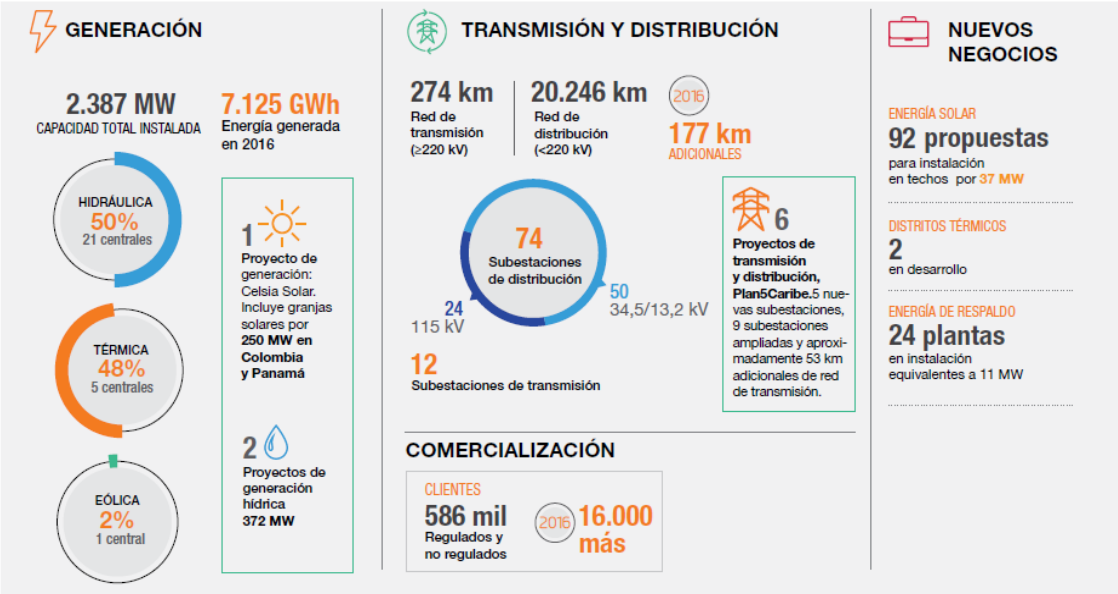


Source: Cementos Argos.

Celsia S.A. ESP

Its line of business is to provide electric power generation and commercialization services. As of December, 2016 Celsia was ranked in fourth place in terms of generation (installed capacity in MW) and in fifth place in distribution (demand by Network Operator in GWh) in the Colombian electricity market, and was the second-largest generator in Panama and fifth-largest in Costa Rica (see Graph 5).

Graph 5
Distribution of Celsia assets

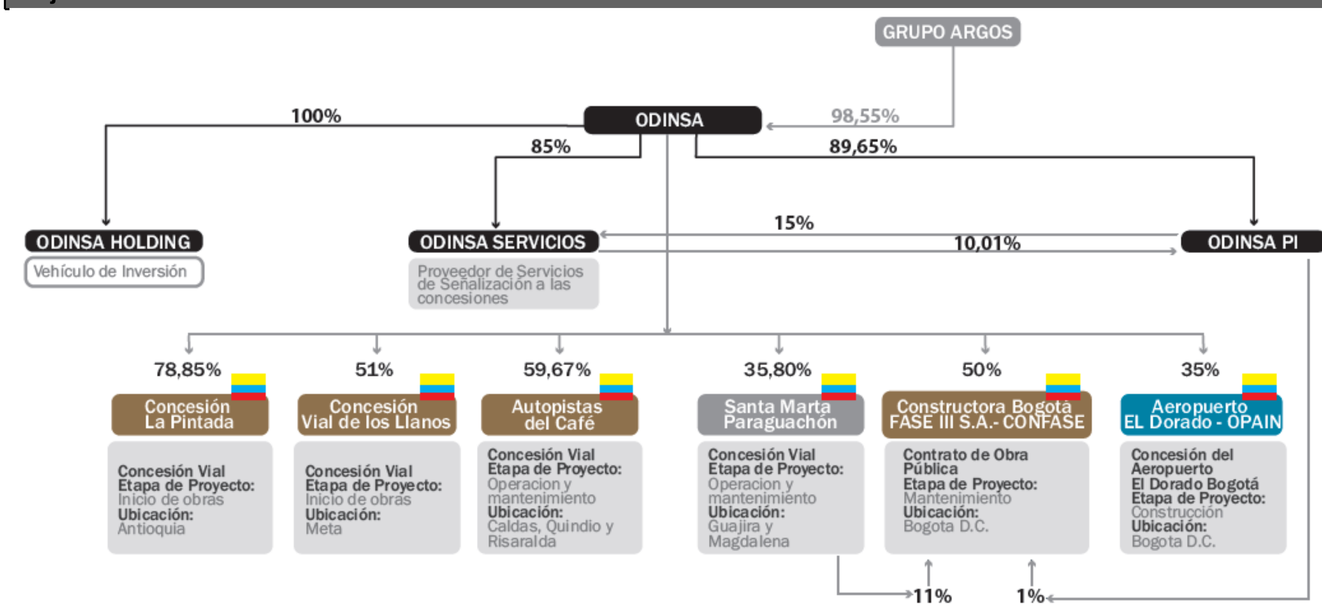


Source: Celsia.

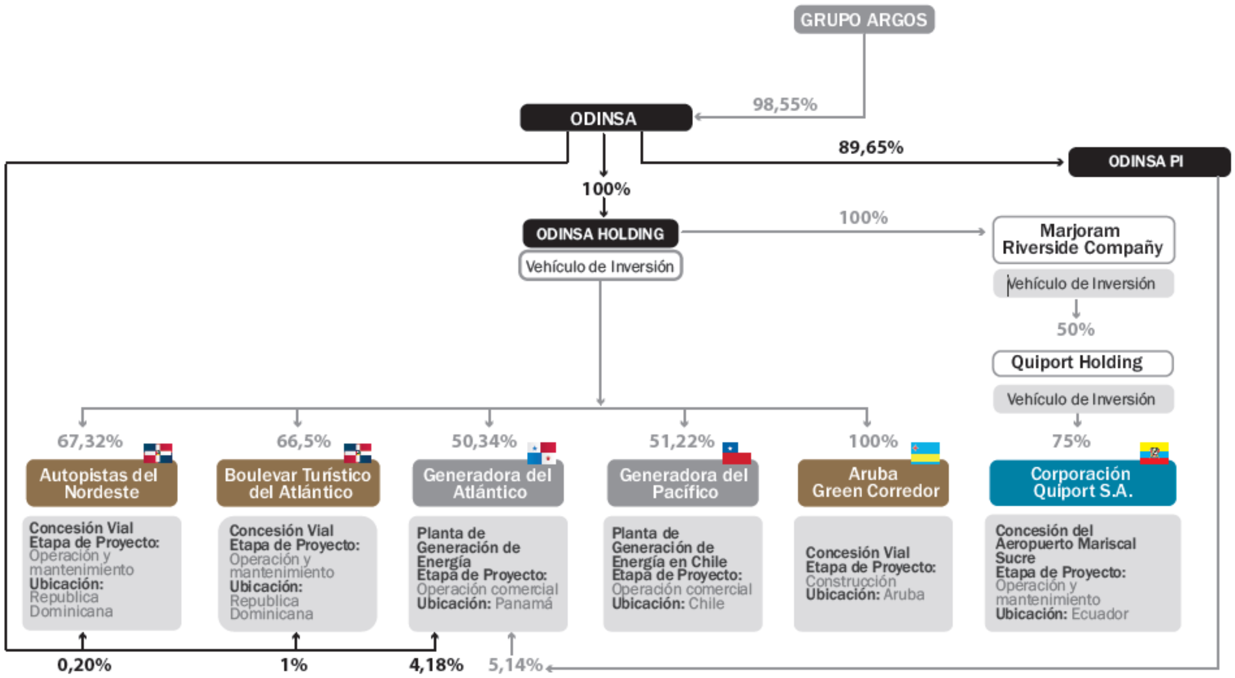
Odinsa S.A.

Odinsa S.A. is in the business of structuring, managing and developing road and airport concession infrastructure projects. GA acquired it in September, 2015. As of December, 2016 it had investments in energy assets (one thermal plant in Chile and another in Panama) and in ports (an equity stake in the port of Barranquilla), which it sold in the first quarter of 2017.

Graph 6
Distribution of Odinsa assets
Projects in Colombia



Projects abroad



Source: Odinsa.

<u>Businesses under development</u>

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

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

Urban development: This business consolidates 100% of its figures with the group. Its objective is to develop land properties by building road and utilities infrastructure and green areas, among others. It land portfolio includes over 2,500 hectares located primarily in Barranquilla and the island of Barú.

Pactia: It is a real estate fund created in August, 2015 through a joint venture with Conconcreto. Its objective is to develop and expand its rental properties holdings. As of December, 2016 it held COP 2.5 trillion with gross rental area of 435,000 m2. It is present in Colombia and Panama through five business lines: commercial, industrial, offices, hotels and self-storage.

The technical visit for the rating process was performed sufficiently in advance thanks to the availability of the rated issuer, and the information was delivered within the required time frames and in accordance with the requirements of BRC Investor Services S. A. SCV.

The financial information included in this report is based on: 1) audited financial statements (under IFRS for the years 2014, 2015 and 2016) 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) forecasts of the financial statements prepared by GA for the Group, the holding company and its affiliates for the 2017-2019 period.

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

A risk rating issued by BRC Investor Services S.A. –Securities Rating Agency– 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 guarantee of payment of the security, but is an assessment of the probability that its principal and yields will be paid in a timely manner. The information contained in this publication has been obtained from sources that are assumed to be reliable and accurate; consequently, we shall not be held responsible for any errors or omissions or for any results derived from the use of this information.

If you have any questions on the indicators included in this document, please view our glossary at www.brc.com.co.

To view the definitions of our ratings, visit www.brc.com.co or click here.

IV. ANNEXES

Annex 1. Financial Statements (millions of COP)

	IFRS			Vertical Analysis			Horizontal Analysis			
				IFRS			COL GAAP		IFRS	
Balance Sheet	2014	2015	2016	2014	2015	2016	2013	2014	2015	2016
ASSETS										
Cash and Tradable Investments	892.198	1.685.187	1.921.472	2,6%	4,0%	4,3%	4,0%	-13,4%	88,9%	14,0%
Restricted cash	103.309	0	0	0,3%	0,0%	0,0%				
Trade accounts receivable	1.530.058	2.073.712	2.355.898	4,5%	4,9%	5,3%	5,9%	35,5%	35,5%	13,6%
Other accounts receivable	0	0	0	0,0%	0,0%	0,0%	20,3%	42,2%		
Inventories	650.462	902.218	1.069.615	1,9%	2,1%	2,4%	6,6%	54,1%	38,7%	18,6%
Pre-paid expenses	196.951	266.056	198.478	0,6%	0,6%	0,4%	-36,1%	179,0%	35,1%	-25,4%
Tax assets	0	398.432	351.354	0,0%	0,9%	0,8%				-11,8%
Other current assets	363.641	247.534	354.775	1,1%	0,6%	0,8%			-31,9%	43,3%
Total Current Assets	**3.736.619**	**5.573.139**	**6.251.592**	10,9%	13,2%	14,0%	6,3%	18,5%	49,1%	12,2%
Net accounts receivable	52.726	281.064	2.560.227	0,2%	0,7%	5,7%	-87,8%	746,4%	433,1%	810,9%
Inventories	29.508	24.146	42.583	0,1%	0,1%	0,1%	-1,4%	-100,0%	-18,2%	76,4%
Permanent investments, net	6.933.098	11.057.388	9.925.907	20,2%	26,3%	22,2%	-4,0%	-16,4%	59,5%	-10,2%
PPE, net	15.566.951	17.087.909	18.258.476	45,4%	40,6%	40,8%	5,5%	52,6%	9,8%	6,9%
Deferred and Intangible Assets, net	3.826.948	4.842.947	4.638.553	11,2%	11,5%	10,4%	42,4%	38,0%	26,5%	-4,2%
Investment Properties	1.721.516	2.403.554	2.273.994	5,0%	5,7%	5,1%			39,6%	-5,4%
Other assets	2.432.118	810.254	798.242	7,1%	1,9%	1,8%	-8,9%	-28,3%	-66,7%	-1,5%
Revaluation, net	0	0	0	0,0%	0,0%	0,0%	-5,0%	8,1%		
Total Non-Current Assets	**30.562.865**	**36.507.262**	**38.497.982**	89,1%	86,8%	86,0%	1,8%	24,3%	19,4%	5,5%
				0,0%	0,0%	0,0%				
TOTAL ASSETS	**34.299.484**	**42.080.401**	**44.749.574**	100,0%	100,0%	100,0%	2,3%	23,6%	22,7%	6,3%
LIABILITIES										
S.T. financial liabilities	1.594.526	3.264.839	3.407.874	4,6%	7,8%	7,6%	-48,8%	136,2%	104,8%	4,4%
Bonds and commercial paper	469.157	410.660	760.339	1,4%	1,0%	1,7%	-28,9%	14,9%	-12,5%	85,2%
Trade Accounts Payable	1.294.765	1.879.441	1.567.365	3,8%	4,5%	3,5%	2,4%	62,6%	45,2%	-16,6%
Taxes, duties and levies	300.784	264.623	169.270	0,9%	0,6%	0,4%	65,6%	-31,0%	-12,0%	-36,0%
Labor obligations	135.448	184.662	202.657	0,4%	0,4%	0,5%	31,6%	30,2%	36,3%	9,7%
Estimated liabilities and provisions	99.531	306.213	328.471	0,3%	0,7%	0,7%	2,4%	-5,0%	207,7%	7,3%
Other current liabilities	159.745	472.475	775.143	0,5%	1,1%	1,7%	-100,0%		195,8%	64,1%
Current Liabilities	**4.053.956**	**6.782.913**	**7.211.119**	11,8%	16,1%	16,1%	-21,1%	51,0%	67,3%	6,3%
L.T. Financial liabilities	3.077.275	4.988.915	6.363.559	9,0%	11,9%	14,2%	-36,9%	164,5%	62,1%	27,6%
Bonds outstanding	4.658.796	4.590.566	4.644.438	13,6%	10,9%	10,4%	24,1%	50,9%	-1,5%	1,2%
Convertible bonds	0	0	0	0,0%	0,0%	0,0%	-7,3%	-22,4%		
Taxes, duties and levies	1.233.745	1.831.534	1.580.512	3,6%	4,4%	3,5%	-100,0%		48,5%	-13,7%
Labor obligations	381.203	369.072	440.950	1,1%	0,9%	1,0%	-4,0%	-4,8%	-3,2%	19,5%
Accounts payable	18.579	56.780	319.950	0,1%	0,1%	0,7%	-27,4%	-37,9%	205,6%	463,5%
Other liabilities	488.569	486.532	554.450	1,4%	1,2%	1,2%	-0,9%	273,1%	-0,4%	14,0%
Non-Current liabilities	**9.858.167**	**12.323.399**	**13.903.859**	28,7%	29,3%	31,1%	-2,7%	63,5%	25,0%	12,8%
TOTAL LIABILITIES	**13.912.123**	**19.106.312**	**21.114.978**	40,6%	45,4%	47,2%	-10,0%	59,2%	37,3%	10,5%
Total Shareholders' Equity	**14.226.700**	**14.929.945**	**15.606.828**	41,5%	35,5%	34,9%	-2,7%	11,0%	4,9%	4,5%
Minority interest	**6.160.661**	**8.044.144**	**8.027.768**	18,0%	19,1%	17,9%	38,4%	3,6%	30,6%	-0,2%
Liabilities + Shareholders' Equity	**34.299.484**	**42.080.401**	**44.749.574**	100,0%	100,0%	100,0%	2,3%	23,6%	22,7%	6,3%

Grupo Argos S.A. Ordinary Bonds and/or Commercial Paper Issuing and Placement Program

Income Statement	IFRS			Vertical Analysis			Horizontal Analysis			
				IFRS			COL GAAP		IFRS	
	2014	2015	2016	2014	2015	2016	2013	2014	2015	2016
Operating revenues	**9.296.289**	**12.700.304**	**14.552.884**	**100,0%**	**100,0%**	**100,0%**	**14,2%**	**16,9%**	**36,6%**	**14,6%**
Cement and concrete	5.831.489	7.912.003	8.517.382	62,7%	62,3%	58,5%	13,4%	17,4%	35,7%	7,7%
Energy	2.588.484	3.691.698	3.794.910	27,8%	29,1%	26,1%	17,7%	8,7%	42,6%	2,8%
Concessions	0	294.360	1.078.655	0,0%	2,3%	7,4%				266,4%
Real Estate business	62.125	402.367	369.381	0,7%	3,2%	2,5%	57,7%	10,3%	547,7%	-8,2%
Financial business revenues	0	171.448	678.501	0,0%	1,3%	4,7%				295,7%
Net stake in affiliates	750.929	319.722	539.998	8,1%	2,5%	3,7%	-19,1%	120,3%	-57,4%	68,9%
Others and eliminations	63.262	-91.294	-425.943	0,7%	-0,7%	-2,9%	-26,5%	140,4%	-244,3%	366,6%
Cost of sales	**6.576.237**	**9.724.072**	**10.431.473**	70,7%	76,6%	71,7%	13,0%	17,1%	47,9%	7,3%
CoS goods and services	5.827.994	8.711.580	8.983.405	62,7%	68,6%	61,7%	13,5%	19,3%	49,5%	3,1%
DA in Cost of Sales	470.888	754.303	854.885	5,1%	5,9%	5,9%	7,9%	-6,4%	60,2%	13,3%
CoS Financial Business	256.838	99.465	462.263	2,8%	0,8%	3,2%			-61,3%	364,7%
CoS Real Estate Business	20.517	158.724	130.920	0,2%	1,2%	0,9%			673,6%	-17,5%
Gross Profit	**2.720.052**	**2.976.232**	**4.121.411**	29,3%	23,4%	28,3%	17,5%	16,3%	9,4%	38,5%
GO (Admin. and Sales)	908.042	1.095.902	1.255.001	9,8%	8,6%	8,6%	9,1%	22,1%	20,7%	14,5%
DA Expenses	90.557	44.299	219.069	1,0%	0,3%	1,5%	-2,7%	32,7%	-51,1%	394,5%
Other revenues/expenses	58.281	0	0	0,6%	0,0%	0,0%			-100,0%	
Wealth tax	0	106.268	100.869							-5,1%
Operating Profit	**1.663.172**	**1.729.763**	**2.546.472**	17,9%	13,6%	17,5%	23,8%	12,5%	4,0%	47,2%
Other Revenues	**162.977**	**59.075**	**112.604**	1,8%	0,5%	0,8%	-29,4%	9,5%	-63,8%	90,6%
Financial	121.425	48.328	106.227	1,3%	0,4%	0,7%	4,4%	-12,7%	-60,2%	119,8%
Dividends and Shareholdings	0	0	0	0,0%	0,0%	0,0%	-14,6%	3,3%		
Diff. in currency translation	41.552	10.747	6.377	0,4%	0,1%	0,0%	-32,7%	176,8%	-74,1%	-40,7%
Other	0	0	0	0,0%	0,0%	0,0%	-34,3%	7,3%		
Other Expenses	**524.550**	**892.324**	**1.194.640**	5,6%	7,0%	8,2%	-16,9%	18,2%	70,1%	33,9%
Financial	524.550	638.258	1.039.415	5,6%	5,0%	7,1%	-15,4%	14,5%	21,7%	62,9%
Diff. in currency translation	0	35.573	1.632	0,0%	0,3%	0,0%				-95,4%
Other	0	218.493	153.593	0,0%	1,7%	1,1%	-19,3%	24,3%		-29,7%
Pre-tax profit	**1.301.599**	**896.514**	**1.464.436**	14,0%	7,1%	10,1%	24,7%	8,2%	-31,1%	63,3%
Total taxes	371.546	248.195	332.434	4,0%	2,0%	2,3%	160,0%	-1,1%	-33,2%	33,9%
Profit/loss on disc. operations	384	0	0							
Net profit	**930.437**	**648.319**	**1.132.002**	10,0%	5,1%	7,8%	-5,7%	13,9%	-30,3%	74,6%
Minority stake shareholdings	409.304	321.489	542.536	4,4%	2,5%	3,7%	2,0%	2,5%	-21,5%	68,8%
Controlling shareholding	**521.133**	**326.830**	**589.466**							
EBITDA	2.224.617	2.634.633	3.620.426	23,9%	20,7%	24,9%	18,0%	8,7%	18,4%	37,4%

DA: Depreciation & Amort.

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	IFRS		
CASH FLOW	2014	2015	2016
Net Profit	**930.437**	**648.319**	**1.132.002**
Adjustment to reconcile net profit to cash provided by operating activities	1.325.692	1.660.885	1.189.541
Cash generated by operations	**2.256.129**	**2.309.204**	**2.321.543**
Changes in operating assets and liabilities	-143.459	-284.261	-631.719
Net cash provided by operating activities	**2.112.670**	**2.024.943**	**1.689.824**
PPE Transactions	-4.068.838	-862.477	-806.352
Permanent investment transactions	0	11.359	116.488
Deferred assets	-29.412	-12.097	-212.106
Other	232.228	-1.255.773	-1.203.393
Net cash after investment activities	**-1.753.352**	**-94.045**	**-415.539**
Net dividends	-349.234	-509.997	-549.914
Change in financial debt	2.849.857	1.239.127	1.915.494
Net financial expenses	-331.481	-683.327	-1.052.142
Other	-151.558	737.922	338.386
Non-operating cash flow	**2.017.584**	**783.725**	**651.824**

Financial Indicators

PROFITABILITY	2014	2015	2016
Net sales	9.296.289	12.700.304	14.552.884
EBITDA	2.224.617	2.634.633	3.620.426
Sales growth	21,8%	36,6%	14,6%
EBITDA growth	16,7%	18,4%	37,4%
Gross Margin	29,3%	23,4%	28,3%
Operating Margin	17,9%	13,6%	17,5%
Net Margin	10,0%	5,1%	7,8%
EBITDA Margin	23,9%	20,7%	24,9%
Sales/Assets	27,1%	30,2%	32,5%
ROA	2,7%	1,5%	2,5%
ROE	6,5%	4,3%	7,3%

ACTIVITY	2014	2015	2016
KTNO	885.755	1.096.489	1.858.148
KTNO product. (Sales/ KTNO)	10,50	11,58	7,83
AR Turnaround	59	59	58
AP Turnaround	74	71	57
Inventory turnaround	37	34	39
Cash cycle	22	22	40

LIQUIDITY	2014	2015	2016
Cash	995.507	1.685.187	1.921.472
Current Ratio	0,92	0,82	0,87
Acid Test	0,76	0,69	0,72

PROFITABILITY	2014	2015	2016
Gross debt	9.799.754	13.254.980	15.176.210
Net debt	8.804.247	11.569.793	13.254.738
S.T. debt (amount)	2.063.683	3.675.499	4.168.213
S.T. debt (%)	21,06%	27,73%	27,47%
L.T. debt (amount)	7.736.071	9.579.481	11.007.997
L.T. debt (%)	78,94%	72,27%	72,53%
Debt/Equity	68,9%	88,8%	97,2%
Fin. debt/Total liabilities	70,44%	69,37%	71,87%
Leverage (Liabilities/Equity)	0,98	1,28	1,35

PROFITABILITY	2014	2015	2016
Interest/ Sales	5,64%	5,03%	7,14%
EBITDA/Interest	4,24	4,13	3,48
EBITDA/Financial debt	0,23	0,20	0,24
Gross debt / EBITDA	4,41	5,03	4,19
Net debt / EBITDA	3,96	4,39	3,66
Debt service	524.550	638.258	1.039.415
FCO/ Debt service	4,03	3,17	1,63
Ebitda/ Debt Service	4,24	4,13	3,48

Annex 2. Impact of adoption of fair value policy at consolidated level

COP$ million	2016	2015	2014
Increase from updating to fair value	100.735	84.639	76.854
Return depreciation/Increase impairment Pl	(25.533)	(41.848)	230
Change in profit/loss on investment properties	(2.393)	-	-
Deferred tax	(9.850)	(4.632)	(13.620)
Total effect of change in policy	**62.959**	**38.159**	**63.464**

Calculations: GA. Amounts in millions of COP

V. MEMBERS OF THE TECHNICAL COMMITTEE

The CVs of the members of the Rating Technical Committee are available at our website www.brc.com.co