

Rating report

PROGRAM FOR THE ISSUANCE AND PLACEMENT OF ORDINARY BONDS AND/OR COMMERCIAL PAPERS OF GRUPO ARGOS S.A.

This English version is provided upon request and reflects the translation from the original one provided only in Spanish by BRC Ratings – S&P Global S.A. Sociedad Calificadora de Valores on May 2, 2025, under the title “PROGRAM FOR THE ISSUANCE AND PLACEMENT OF ORDINARY BONDS AND/OR COMMERCIAL PAPERS OF GRUPO ARGOS S.A.”. In case of any discrepancy between this English version and the original in Spanish, the Spanish version shall apply.

Contacts:

Edgar Mauricio Robles Cifuentes

edgar.robles@spglobal.com

María Carolina Barón Buitrago

maria.baron@spglobal.com

PROGRAM FOR THE ISSUANCE AND PLACEMENT OF ORDINARY BONDS AND/OR COMMERCIAL PAPERS OF GRUPO ARGOS S.A.

SECURITIES FEATURES

Securities:	Ordinary Bonds
Issuer:	Grupo Argos S.A.
Rated amount:	COP2.35 trillion
Amount placed:	COP1.8 trillion
Outstanding amount	COP853,104 million
Issue and placement date:	September 10, 2014, August 28, 2019, and October 28, 2020

Features of the current securities:

Título	Monto en millones	Saldo de la deuda en millones COP	Fecha emisión	Fecha vencimiento	Plazo (años)	Tipo Indicador (interés de referencia)	Spread	Pago de intereses
Bonos	390,104	390,104	9/10/2014	9/10/2029	15	IPC12	4.24%	Trimestre vencido
Bonos	157,965	157,965	8/28/2019	8/28/2025	6	IPC12	2.44%	Trimestre vencido
Bonos	168,535	168,535	8/28/2019	8/28/2034	15	IPC12	3.20%	Trimestre vencido
Bonos	136,500	136,500	10/28/2020	10/28/2027	7	IPC12	2.65%	Trimestre vencido

Guarantees and priority:	The bonds are not backed by any real guarantee, and therefore constitute unsecured obligations of the issuer.
Custodian:	Depósito Centralizado de Valores S.A.
Legal representative of the holders:	Alianza Fiduciaria S.A.
Structuring agent:	Banca de Inversión Bancolombia S.A.
Placement agent:	Valores Bancolombia S.A.

I. OVERVIEW

- We affirmed the AAA long-term debt rating of Grupo Argos SA's Ordinary Bonds (hereinafter GA) and the BRC 1+ rating of its commercial papers.
- Our assessment of GA's credit profile reflects its strong business position in the markets and geographies where its subsidiaries operate, as well as the clarity and consistency of its strategic plan. These features allow for the consolidation of a robust operation, capable of facing adverse market conditions and macroeconomic uncertainty.
- We foresee that GA will continue to report positive financial results. This implies an estimated EBITDA between \$2.8 trillion Colombian pesos (COP) and COP3.6 trillion over the next three years, with leverage of around 2.5x excluding the cash generated by the sale of Summit Materials.
- GA's projected source-to-use ratio is greater than 1.2x for the next 12 and 24 months. This result proves enough capacity to meet its operating and financial commitments and reflects ample financial leeway to continue achieving its growth and business plans.

II. RATING ACTION

BRC Ratings – S&P Global S.A. Credit Rating Agency, in its periodic review, has confirmed the AAA long-term debt rating on Grupo Argos SA's ordinary bonds and the BRC 1+ short-term debt rating on its commercial papers

III. RATING RATIONALE

We believe that GA's solid credit profile, demonstrated in recent years, will continue to provide the organization with the tools to cope with a weak and highly uncertain consumer environment in the short and medium term. This is based on its outstanding business position in the industries and countries where its subsidiaries operate, as well as the current strength of its balance sheet, which provides a substantial cushion against market volatility and offers flexibility to address potential opportunities that may arise.

During 2024 and throughout 2025, GA has taken several actions to consolidate its future strategic objectives:

- Progress is being made in the spin-off process to end cross-shareholdings with Grupo Sura, which will allow GA to have a simpler corporate structure and focus its efforts on becoming an asset manager specializing in the infrastructure and construction materials sectors.
- The sale of Cementos Argos' 31% stake in Summit Materials, which generated a cash inflow of nearly COP 12 trillion. Part of these resources will be allocated to reducing the company's and the group's debt, in addition to opening up opportunities for future growth initiatives.

In 2024, GA reported COP 15.1 trillion in revenues, a similar amount to the previous year, considering the reclassification of all items associated with the United States into a single line of net income from discontinued operations. EBITDA was COP 5.1 trillion, an increase of 28.5% over the same period. In assessing these results and the consolidation of the reduction in the amount of its financial obligations, the organization maintained consolidated leverage levels below 2x at year-end, excluding the proceeds from the sale of its stake in Summit Materials.

Looking ahead to the next three years, we estimate consolidated EBITDA of between COP2.8 trillion and COP3.6 trillion and leverage of around 2.5x, excluding the COP12 trillion proceeds from the sale of Summit, which will be used primarily for a new business initiative. It's worth mentioning that this projection assumes an average debt amount of COP 8 trillion, which would imply a further reduction in the financial obligations of its subsidiaries. Specifically, Celsia expects to reduce debt by approximately COP 1.5 trillion during 2025, efforts that are in addition to Cementos Argos's and the conglomerate's plans regarding its maturity schedule. In all cases, the resources that will be used to pay these obligations are largely guaranteed by the operations of each business and the available cash.

Between 2025 and 2026, GA will focus on boosting its growth by leveraging alternative sources of capital in each of its subsidiaries. These strategies will include the use of investment platforms and resources versus asset monetization, which we believe will allow it to achieve greater potential in the scale of its operations without putting pressure on its capital structure or affecting its liquidity profile. In upcoming reviews, we will monitor the achievement of results within the organization's medium-term plan, including:

PROGRAM FOR THE ISSUANCE AND PLACEMENT OF ORDINARY BONDS AND/OR COMMERCIAL PAPERS OF GRUPO ARGOS S.A.

- Within the construction materials segment, Cementos Argos expects to rebuild, through organic and inorganic growth, a cement and construction materials platform in the U.S. market within three to five years. The company will also focus on enhancing its fixed production capabilities and digital transformation to strengthen its competitive advantages.
- After successfully weathering the effects of the El Niño phenomenon, Celsia will continue its focus on evolving asset management within the energy segment, centered on three value horizons (Harvest, Scale, and Develop), which seek to offer greater scalability to its business proposals and provide stability to its financial profile.
- The infrastructure project led by Odinsa and its private equity fund is advancing a portfolio of projects in Colombia that, if awarded, would represent an investment exceeding COP 20 trillion. In addition, it contemplates the development of a vertical investment within the water value chain

In our view, GA's financial risk management capabilities, including funding and liquidity management, will enable it to manage a wide range of exposures across diverse business areas and geographies. We believe the group's governance structure is well aligned with its operating activities, which are framed within cross-cutting strategic axes across all its subsidiaries. These axes seek to reduce its financial obligations, anticipate debt maturities, diversify its funding sources and costs, and generate greater value for its shareholders.

While we believe GA is well positioned to mitigate market pressures in each of its subsidiaries, one area to monitor across all segments is legal, regulatory, and institutional stability at the national level. This could directly impact each business model, as well as the performance of the infrastructure and the electricity sector, and further slow the demand for construction materials. We will pay close attention to the potential impacts of this matter over the next 12 months, especially in light of the potential intervention aimed at reducing energy tariff costs, as well as the final terms of the proposed reform to the public utilities law.

IV. LIQUIDITY

Our assessment of GA's liquidity reflects adequate results to meet its operational, financial, and shareholder requirements in a timely manner over the next 12 to 24 months. This, considering that our projections of resource sources would exceed uses by about 1.2x in 2025 and 2026. In a scenario where all the proceeds from the Summit Materials stake sale are incorporated, the ratio would remain above 3x over the same period.

Our view of GA's liquidity profile includes the following assumptions:

- Cash balances available at the end of 2024.
- Strong and well-established relationships with banking and capital markets.
- Prudent risk management and proven ability to absorb high-impact events.
- Our projection incorporates all of GA's projected fixed capital investments. However, it maintains a high level of discretion over its investment capex if necessary.

V. FACTORS TO MODIFY THE RATING

What can lead us to affirm the rating

- The use of alternative and stable financing sources to leverage the expansion plan without pressuring its debt metrics.
- Sustainability of the net debt-to-EBITDA ratio below 3x over the next three years.

What could lead us to downgrade the rating

- The deterioration of EBITDA compared to our projections, which may put pressure on leverage or liquidity metrics.
- Changes in its business position that could imply a loss of market share, significant exposure to geographies with lower credit quality levels than Colombia, or changes in business lines that, in our view, pose greater risks to the holding.

VI. THE ISSUER AND ITS ACTIVITY

Grupo Argos (GA) is an infrastructure investment manager with COP 51.9 trillion in consolidated assets under management (+5.1% vs. 2023), with a presence in 18 countries in the Americas. The group has consolidated platforms in three strategic businesses: cement (Cementos Argos – CA), energy (Celsia), and road and airport concessions (Odinsa). It is also a partner in a real estate fund (Pactia) and owns a land bank for urban development (Grupo Argos Desarrollo Urbano).

Although Cementos Argos reported revenues of COP 5.3 trillion in 2024, which represented a decrease of -0.3% (accounting data) compared to 2023, this subsidiary managed to consolidate an EBITDA of COP 1.2 trillion, which implied an 8.6% growth in the same period. These results reflect its commercial strategy focused on efficient price management and operational improvements, which helped mitigate the slowdown in consumption in various geographies. As a result, the company increased its EBITDA margin by approximately 241 basis points, achieving a profitability of 22.5%.

Celsia, for its part, totaled revenues of COP 6.8 trillion, an increase of 9.3% compared to 2023. However, its EBITDA stood at COP 1.5 trillion, which represented a 19.4% decrease over the same period. This result is attributed to the increase in costs associated with the challenges faced during the El Niño phenomenon. It's important to note that the company maintains stable performance, with its credit profile benefiting from the integration of its distribution and transmission assets, which provide stability to its revenues. Furthermore, the diversification of its generation sources (hydroelectric, thermal, and renewable) guarantees compliance with its commercial requirements and provides stability to its electricity matrix.

Given that Odinsa has adopted a new private equity fund (PEF) model, the company is no longer comparable or measurable through the profit and loss statement. From now on, we will evaluate the profitability of these assets within the vehicle and the distribution of dividends, although currently, due to their focus on growth, no distributions are being made. Generally speaking, the internal rate of return (IRR) of the projects remains aligned with the requirements of the fund and its shareholders.

PROGRAM FOR THE ISSUANCE AND PLACEMENT OF ORDINARY BONDS AND/OR COMMERCIAL PAPERS OF GRUPO ARGOS S.A.

Negocio de Desarrollo Urbano (NDU) closed 2024 with a net cash flow of COP 61 billion, lower than in 2023 but stable compared to the average of the last five years. This situation is attributed to the weak conditions experienced by the housing construction sector in recent years. In terms of EBITDA, the company reported a negative result of COP 103 billion, due to adjustments in urban development costs on several properties. It is important to note that this impairment is solely from accounting and did not affect cash flow.

Pactia reported operating revenues of COP 460,161 million and EBITDA of COP 232,000 million, representing decreases of 19% and 44%, respectively, compared to 2023. These declines in key financial indicators are primarily due to the impact of asset divestments during the period. In addition, the company closed the year with a gross leasable area of 707,466 m², with favorable occupancy levels across all segments.

VII. INDUSTRY RISKS

The general characteristics of the sectors in which Grupo Argos operates remained relatively stable compared to the previous year:

- High capital requirements and energy use.
- Entry barriers due to infrastructure (plants, access to raw materials, equipment), knowledge, experience, financial strength, and ease of access to financing sources.
- Strong correlation with economic cycles and population dynamics.
- Long business cycles, with long recovery periods for its investments.
- Exposure to regulatory and policy changes.
- Public policy dependency.

VIII. ADDITIONAL INFORMATION

Type of rating	Long-term and short-term debt
Minute number	2742
Date of the Committee	May 2, 2025
Type of review	Periodic review
Issuer	Grupo Argos S.A.
Members of the Committee	María Carolina Barón
	José Ricardo Herrera
	Humberto Patiño

Rating history

Extraordinary review Jan./25: AAA, BRC 1+
Periodic review May/24: AAA, BRC 1+
Initial rating May/14: AAA, BRC 1+

PROGRAM FOR THE ISSUANCE AND PLACEMENT OF ORDINARY BONDS AND/OR COMMERCIAL PAPERS OF GRUPO ARGOS S.A.

The technical visit for the rating process was carried out with sufficient time due to the availability of the issuer and the delivery of the information was fulfilled in the foreseen times and in accordance with the requirements of BRC Ratings – S&P Global S.A. SCV.

BRC Ratings – S&P Global S.A. SCV does not perform auditing; therefore, the entity's management takes full responsibility for the integrity and veracity of all the information provided and that has served as the basis for the preparation of this report. On the other hand, BBRC Ratings – S&P Global S.A. SCV reviewed the available public information and compared it with the information provided by the entity.

The financial information included in this report is based on audited financial statements for the last three years (2022-2024).

If you have any question regarding the indicators included in this document, you can consult the glossary at www.brc.com.co.

To see the definitions of our ratings visit www.brc.com.co or click [here](#).

IX. MEMBERS OF THE TECHNICAL COMMITTEE

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

A CREDIT risk rating issued by BRC Ratings – S&P Global SA Sociedad Calificadora de Valores is a technical opinion and it is not intended to be a recommendation to buy, sell or hold a specific investment and/or security, nor does it imply a guarantee of payment of the title, but rather an evaluation of the probability that its capital and its yields will be paid in a timely manner. The information contained in this publication has been obtained from sources believed to be reliable and accurate; therefore, we do not take responsibility for errors or omissions or of results that arise from the use of this information.
