

# Fitch Affirms IMPSA's Long-Term Ratings at 'B'; Outlook Stable

1 de septiembre de 2008

Fitch Ratings has affirmed the following ratings of Industrias Metalurgicas Pescarmona S.A. (IMPSA): -- Foreign currency Issuer Default Rating (IDR) at 'B'; --Local currency IDR at 'B'; --\$225 million notes due in 2014 at 'B/RR4'; --\$65 million notes due in 2009 at 'B/RR4'; --National Scale Ratings at 'A-(arg)'. The Recovery Rating (RR) of 'RR4' assigned to the notes indicates average recovery prospects in the event of default. The Rating Outlook is Stable. IMPSA's ratings are supported by strong global demand for hydroelectric and wind technology and equipment, which has boosted IMPSA's backlog to US\$1.8 billion as of April 2008 from \$481 million as of April 2006. The renewable energy projects of the company often take 30 months to complete. Revenues are booked according to percentage of completion of the project, and most contracts include pricing adjustment clauses that protect the company's profit margins against increases in construction costs. Consequently, the increase in backlog adds certainty to the company's cash generation in the medium term. Also considered in IMPSA's ratings are its geographic revenue and asset diversification. This diversification hedges the company's cash flow against the volatile Argentine economy and allows it to generate hard currency which can be used for debt repayment. For the fiscal year ended Jan. 31, 2008, U.S. dollar-denominated sales accounted for approximately 70% of its total revenue. This percentage should increase in the future due to the composition of most of the company's backlog. Balanced against these strengths are the company's high leverage and the concentration of its cash flow in a few large projects in developing countries - namely Brazil, Venezuela, Colombia, and Malaysia. Also considered in the company's rating is its rapid pace of growth, which leads to high working capital needs. While market conditions are considered favorable for IMPSA at this moment, a sudden downturn in some of its key markets would have a negative effect IMPSA's ability to add new contracts. Additionally, even though Argentina is not an important sales market for IMPSA, an increase in economic uncertainty in that country could lead to a decline in backlog as potential customers shy away from doing business with the company due to concerns about its ability to finance its working capital needs. In the last few years, the company has accessed international markets for working capital financing. For the 12 months ended Jan. 31, 2008, IMPSA's revenues grew to US\$285 million from US\$267 million in the prior year, while its EBITDA grew to US\$67 million from US\$57 million. This growth was the result of the maturity of several projects. During this time period, IMPSA's cash flow from operations (CFO) was negative due to the large working capital needs that were required to fund the development of several projects. IMPSA had US\$415 million of debt and US\$154 million of cash and marketable securities as of Jan. 31, 2008. US\$57 million of IMPSA's debt was structured without recourse as project finance debt for wind farm projects in Brazil. These figures translate into a total debt (with recourse)-to-EBITDA ratio of 5.2 times (x) and a net debt-to-EBITDA ratio of 3.1x. For the quarter ended April 30, 2008, IMPSA's total debt remained relatively unchanged at US\$417 million (US\$66 million structured as project finance). Cash and marketable securities balance fell to US\$53 million, however, due to the high working capital needs of its projects. The company's debt increased during June as it issued US\$65 million of notes due 2009 to finance the working capital needs for the year. Fitch expects the company will roll this debt over. An improvement in credit metrics is foreseen as the company's EBITDA level is expected to reach US\$120 million during the fiscal year ended Jan. 31, 2009. The growth in EBITDA should come from the completion of several projects that are currently in backlog. The main hydro projects are Porce III (Colombia), Bakun (Malaysia), Dardanelos (Brazil), Simplicio (Brazil), Macagua (Venezuela) and Tocoma (Venezuela). IMPSA major wind projects are Caera and Santa Catarina, both located in Brazil. The Percarmona family owns 93.73% of Industrias Metalurgicas Pescarmona S.A.I.C. y F (IMPSA) through Corporacion IMPSA S.A. IMPSA is engaged in providing integrated solutions for renewable energy, including hydroelectric and wind power projects and

associated equipment, as well as the Port Systems, auto parts and environmental services industries. IMPSA has a solid international presence, marketing and distributing its products and services from its branches and representative offices in Argentina, Brazil, China, Colombia, Ecuador, U.S., the Philippines, India, Malaysia and Venezuela. Contact: Gabriela Catri, Fernando Torres +54 11 5235 8100, Buenos Aires; or Joe Bormann, CFA +1-312-368-3349, Chicago.