

# CORPORATE PRESENTATION

May 2019



**GRUPO ARGOS**

Inversiones que transforman



## IMPORTANT NOTE

This presentation contains certain forward-looking information and statements related to GRUPO ARGOS and its subsidiaries that are based on knowledge of current events, expectations and forecasts, circumstances, and assumptions of future events. Many factors could cause the future results, performance or achievements of GRUPO ARGOS and its subsidiaries to be different to those expressed or assumed herein.

If an unforeseen situation occurs, or the premises or estimations are shown to be incorrect, the future results may be considerably different to those stated herein. The forward-looking statements are made to this date, and GRUPO ARGOS and its subsidiaries do not claim nor assume any obligation to update these forward-looking statements as a result of new information, future events or any other factor.

WHO WE ARE

## GRUPO ARGOS AT A GLANCE

- Only liquid vehicle to invest in infrastructure in Colombia
- Strategic focus in **Cement, Energy, Road and Airport Concessions**
- Solid and articulated portfolio with ~ **USD 16.3 billion in consolidated assets**
- **Balanced** in regions, currency, and sectors
- One of the most **important players in infrastructure in the Americas**
- Operating in markets with significant **growth potential**

**3**  
REGIONS

**18**  
COUNTRIES

**+13,000**  
EMPLOYEES





## PORTFOLIO

STRATEGIC PORTFOLIO FOCUSED IN INFRASTRUCTURE

USD **5.1** bn  
MARKET CAP<sup>\*1</sup>

USD **4.9** bn  
REVENUES<sup>\*2</sup>

USD **1.3** bn  
EBITDA<sup>\*2</sup>

## CEMENT



<sup>\*3</sup> **58.0%**

<sup>\*7</sup> Revenues: USD 2.8 bn  
EBITDA: USD 0.5 bn

## ENERGY



**52.9%**

<sup>\*7</sup> Revenues: USD 1.1 bn  
EBITDA: USD 0.4 bn

## CONCESSIONS



<sup>\*8</sup> **99.9%**

<sup>\*7</sup> Revenues: USD 0.6 bn (+0.3 bn of Opaín7)  
EBITDA: USD 0.3 bn (+0.1 bn of Opaín7)

STRATEGIC  
In Infrastructure

PORTFOLIO of USD 2,9  
billions<sup>6</sup> composed by:



<sup>\*4</sup> **27.7%**



Desarrollo  
Urbano

**100%**



<sup>\*5</sup> **27.7%**



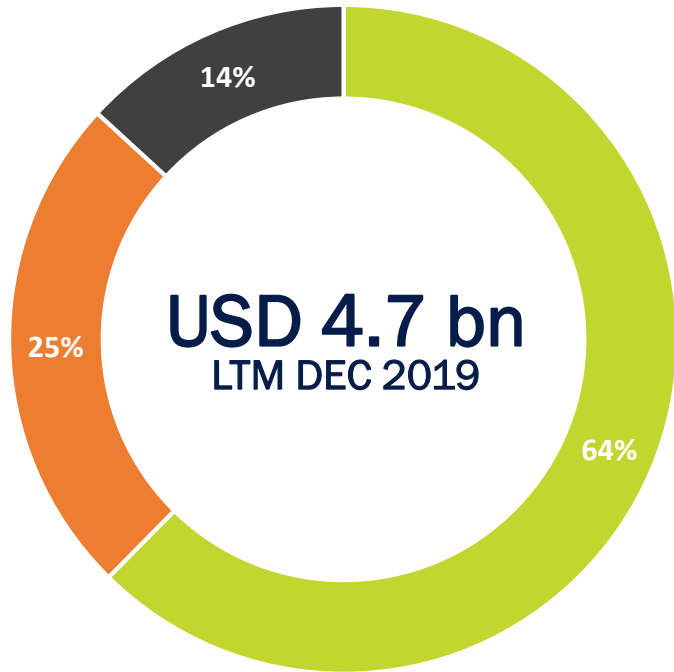
**9.8%**

<sup>1</sup> Mkt Cap in USD as of 3/31/2019 (1 USD = 3,000 COP) <sup>2</sup> Revenues & EBITDA LTM Mar 2019 in USD <sup>3</sup> Cementos Argos 58% ordinary shares and 49.1% of outstanding shares <sup>4</sup> 50% participation in the managing vehicle, 27,5% Economic right with the entrance of Protección Pension Fund <sup>5</sup> Grupo Argos and its related companies adds to 35.9% <sup>6</sup> Portfolio valued at Market prices for Grupo Sura and Nutresa, unit value for Pactia as of Dec 31 2018 and book value for urban development <sup>7</sup> Corresponds to recurrent revenues and Ebitda for 2018 <sup>8</sup> Grupo Argos and its related companies adds to 99.9%

## PORTAFOLIO

**WITH WELL BALANCED SOURCES OF REVENUE AND EBITDA**

REVENUE CONTRIBUTION STRATEGIC BUSINESS LTM MAR19

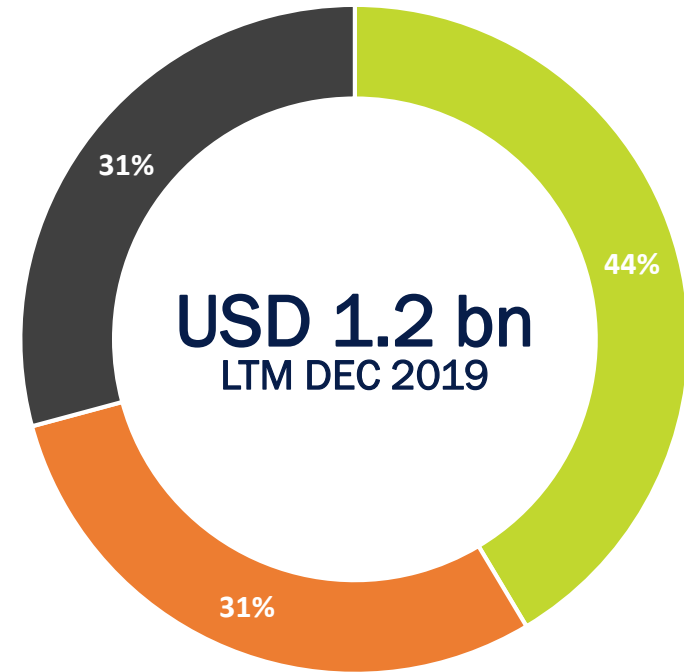


■ Cementos Argos

■ Celsia

■ Odinsa

EBITDA CONTRIBUTION STRATEGIC BUSINESS LTM MAR19

<sup>1</sup> Revenus and Ebitda only include those of the Cement, Energy, and concesión business (including Opain)

## STRATEGY

COHERENT STRATEGY IN ALL BUSINESSES THAT WILL CONTINUE TO SUPPORT FOCUS IN PROFITABILITY

## STRATEGY

CEMENTOS ARGOS – EFFICIENCY FOCUS

## PROFITABLE GROWTH

- **Cost per ton reduction in Colombia (-USD 12 / ton).** Efficiency project extends to USA in 2019 with estimated savings of USD 40 mm
- **Administration and sales expenses -5.6% YoY in 2018**
- EBITDA of COP 1.5 bn + 8% with improvement in margins of 159 bp to 18.3%
- Focus on **cash flow generation**. CAPEX guidance for 2019 USD 150 – 170 mm (includes maintenance)
- **Best 2.0** USA will save approximately USD 40 millions

## CAPITAL ALLOCATION

- **Divestment of non-core assets in line with efficient capital allocation guideline** and decrease in leverage
- 7 days **improvement in working capital** as of December 2018 = **COP 222 billion of additional cash**
- Decrease in leverage. Net debt / (EBITDA + dividends) from 4.2x to **3.7x by the end of 2018. Target of 3.2x as of June 2020**

Net Income 2018

**COP 179 bn**vs. 2017 Net loss of  
COP 13 mil mm

Free Cash Flow 2018

**COP 939 bn**  
**+73%**

## STRATEGY

**CELSIA – STRATEGIC ASSET ALLOCATION AND STRUCTURE SIMPLIFICATION****PROFITABLE GROWTH**

- Focus in renewable energy with positive impact in profitability indicators
- Increase in Ebitda to COP1.13 bn + 1% in 2018 YoY
- Enertolima should increase EBITDA + COP 200 million/ year

**CAPITAL ALLOCATION**

- **Value reveal of Epsa and of generation assets that where held by Celsia**
- **Simplification of the corporate structure** with increased participation in EPSA
- **Transfer of assets to Epsa**, achieving:
  - Operational and financial optimization of EPSA and Celsia
  - Improvement in Celsia's consolidated cash flow (+ COP 26 bn / year)
  - Strengthened investment vehicle with focus in renewable and distribution
- Purchase assets of Enertolima for 1,7 tn that doubles the number of customers to 1.1 million

Consolidated  
Net Income 2018  
COP **351 bn**  
+ 40%

Controller  
Net Income 2018  
COP **228 bn**  
+ 53%

Free Cash Flow 2018  
**COP 414 bn**  
+ 23%



## STRATEGY

# ODINSA - PLATFORM WITH REGIONAL REACH THAT PROVIDES GROWTH OPPORTUNITIES



## PROFITABLE GROWTH

### ODINSA

- AKF's contingency legal management allowed to maintain the concession until January 2027

### OPAIN

- Growth in unregulated revenues of 24% in 2018
- Installed capacity expansion

## CAPITAL ALLOCATION

### ODINSA

- **Corporate structure simplification** achieving concentration and control to maximize assets value
- **Project structuring with a pipeline of USD 4 bn** to execute in the next 5 years
- **USD 400 mn** issuance of Quiport bonds to strengthen the capital structure of Odinsa

Odinsa´s Consolidated  
Net Income 2018\*

COP **188 bn**  
+ 16%

Odinsa´s controller Net  
Income 2018\*

COP **135 bn**  
+ 28%

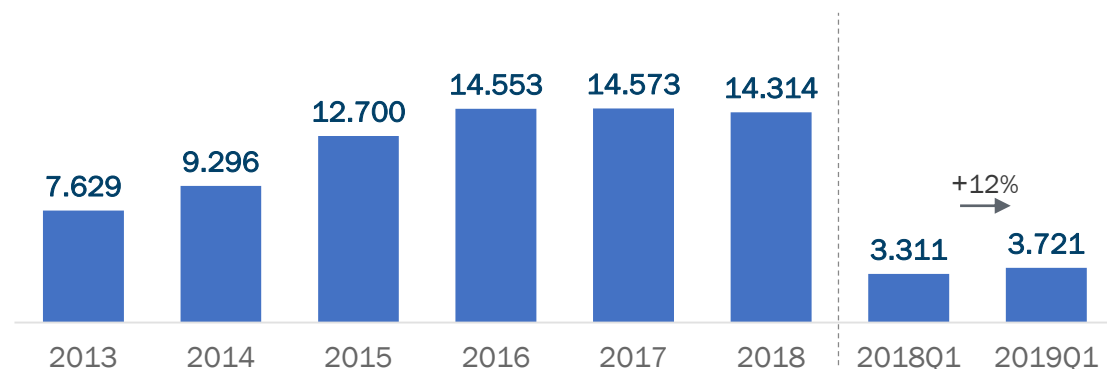
\* Proforma: Deletes the divestment of: a) Farallones participation of COP 10 bn b) Santa Marta Paraguachón COP 20 bn

## FINANCIAL RESULTS

GUIDELINE THAT HAS TRANSLATED IN GROWING RESULTS WITH EBITDA CAGR OF 16% IN LAST 5 YEARS

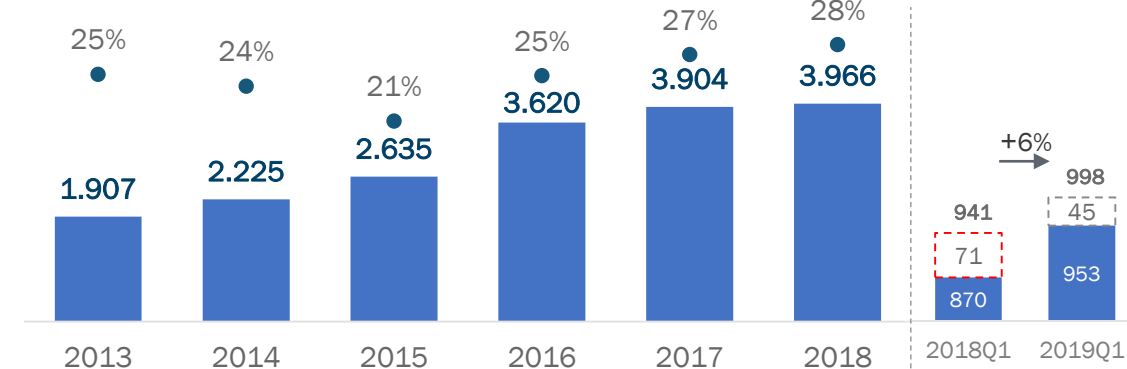
GRUPO ARGOS CONSOLIDATED REVENUES (COP billions)

CAGR (2013 - 2018) 13.4%



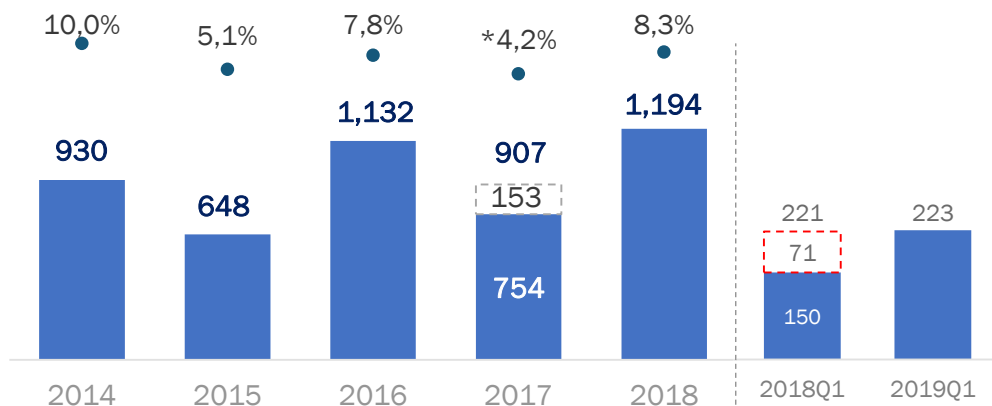
GRUPO ARGOS CONSOLIDATED EBITDA (COP billions)

CAGR (2013 - 2018) 15,8%



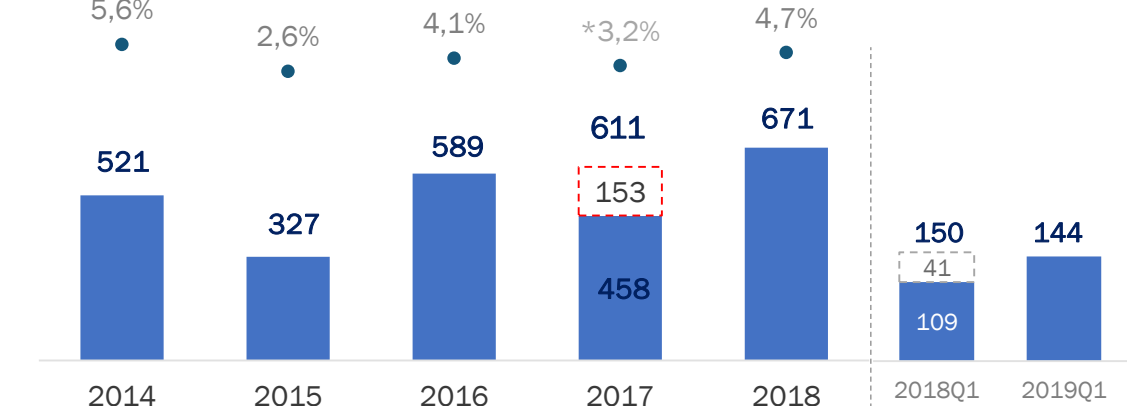
GRUPO ARGOS NET INCOME (COP billions)

CAGR (2014 - 2018) 6,4%



GRUPO ARGOS CONTROLLER NET INCOME (COP billions)

CAGR (2014 - 2018) 6,5%



Compas  
\* Adjusted margin by compas

CEMENTOS AUTO GENERATORS  
SALE

IFRS 16 EFFECT

## STRATEGY

# GRUPO ARGOS GUIDELINES AS STRATEGIC ARCHITECT – HOW WE GENERATE VALUE

## SUSTAINABLE GROWTH AND MAXIMIZE PROFITABILITY

EFFICIENT CAPITAL ASSIGNMENT + CORPORATE GOVERNANCE HIGH STANDARDS + SOCIAL RESPONSABILITY + HUMAN TALENT MANAGEMENT

STRATEGY	FINANCIAL	INSTITUTIONAL	ASSET AND TALENT MANAGER
<ul style="list-style-type: none"> <li>▲ Corporative strategy and innovation</li> <li>▲ Acquisition of Odinsa and streamlining of portfolio</li> <li>▲ Simplified GA architecture</li> <li>▲ Simplification of the energy business model</li> </ul>	<ul style="list-style-type: none"> <li>▲ Merge &amp; Acquisitions and divestments</li> <li>▲ Efficient capital allocation</li> <li>▲ Capital structure</li> <li>▲ Tax and accounting guidelines</li> <li>▲ Financial closing of Pacifico II with more sources at better costs</li> <li>▲ Odinsa bond issuance</li> <li>▲ Divestment of Compas</li> </ul>	<ul style="list-style-type: none"> <li>▲ Corporate governance</li> <li>▲ Risks and control system</li> <li>▲ Reputation, brand and communications</li> <li>▲ Sustainability and corporate citizens</li> <li>▲ <b>Grupo Argos</b>, Cementos Argos and Celsia have been awarded in the Yearbook of sustainability from <b>RobecoSAM</b>.</li> </ul>	<ul style="list-style-type: none"> <li>▲ Strategic human talent management</li> <li>▲ Improvement in profitability looking for corporate synergies</li> <li>▲ SUMMA – creation of intercompany services subsidiary to capture synergies</li> </ul>

## STRATEGY

# VARIABLE REMUNERATION SCHEME SEEKS TO ALIGN SHAREHOLDERS AND COMPANIES OBJECTIVES

## SHORT TERM OBJECTIVES

- EBITDA
- Net income for the parent company
- Primary surplus
- Budget execution

## LONG TERM OBJECTIVES

- ROCE
- FCO / EBITDA
- FCO / Interest
- SPREAD TSR

## SUSTAINABILITY

Maintain the category in the DJSI, or obtain a score higher than the score obtained the previous year

Bonuses for organizational results = Compensation strategy of Grupo Argos that seeks:

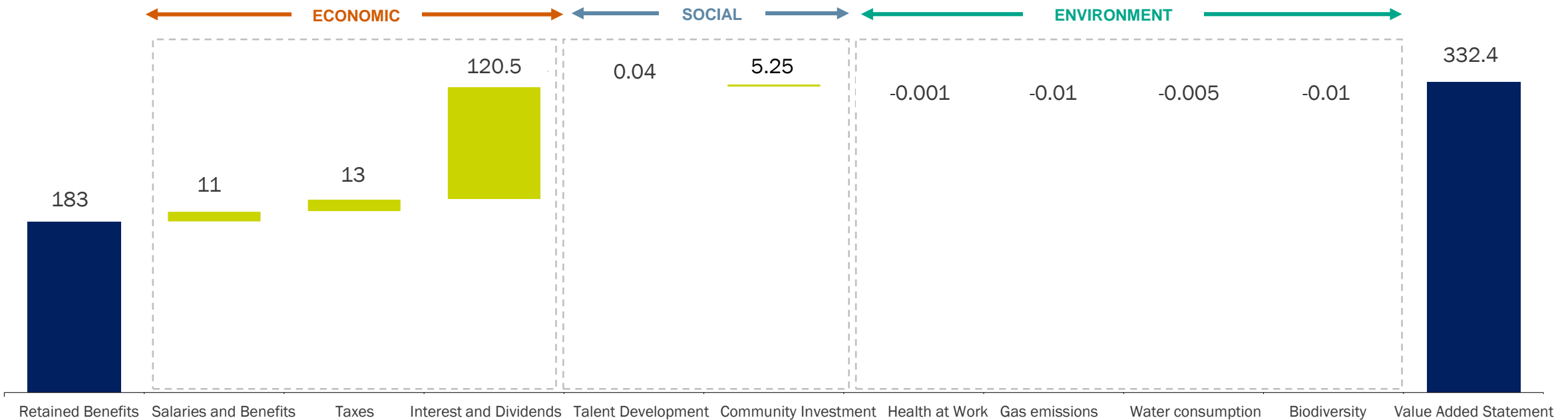
1. **Align companies interests with those of shareholder**, seeking for the long term sustainability of the business.
2. Recognize and encourage **high performance** of the different teams to achieve greater levels of group competitiveness and alignment with the objectives of the organization
3. **Encourage** long-term thinking
4. Strengthen competitiveness in terms of compensation, in line with the organizational strategy, to **attract, motivate and retain the best talent**
5. Reward superior performance
6. Remuneration from level 0 to 3 with greater weighting of corporate objectives



SUSTAINABILITY

HIGHLY COMMITTED WITH SUSTAINABILITY. IN 2018 WE ADDED TO THE SOCIETY 1.8X THE BENEFIT TAKEN

VALUE ADDED STATEMENT OF GRUPO ARGOS 2018 (USD bn)



Economic dimension:

Payments of taxes, salaries, interests and dividends that are positive to the economy, boosting productivity and competitiveness of the country. It represents 43% of the net value that we deliver to society



Social dimension:

Greater contribution to the community infrastructure made by the urban development business, which is estimated to have benefited the community in USD 5.2 million



Environmental Dimension:

Marginal negative impacts, since activity is not intensive in the use of natural capital. We work actively to contribute to the conservation of the ecosystems through the Grupo Argos Foundation



## CORPORATE GOVERNANCE

**SOLID COMMITMENT TO CORPORATE GOVERNANCE**

## BOARD OF DIRECTORS



**ROSARIO CÓRDOBA**  
(Chair of the Board) - Independent



**CLAUDIA BETANCOURT**  
Non – Independent



**ANA CRISTINA ARANGO**  
Independent



**ARMANDO MONTENEGRO**  
Independent



**JORGE URIBE**  
Independent

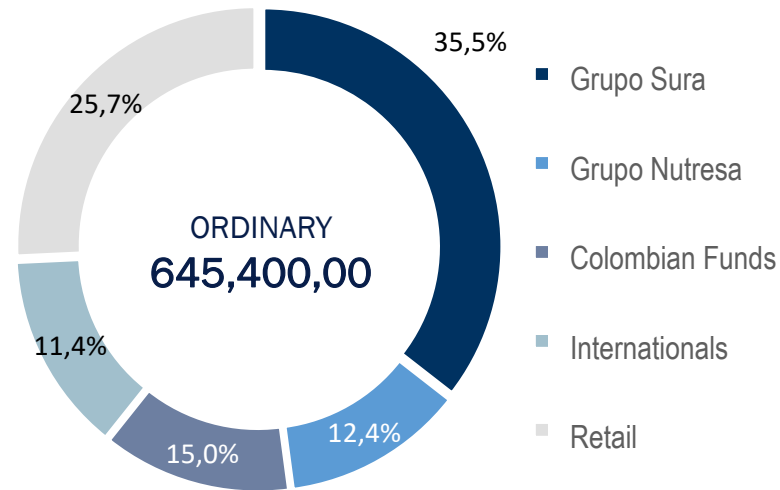


**DAVID BOJANINI**  
Non - independent



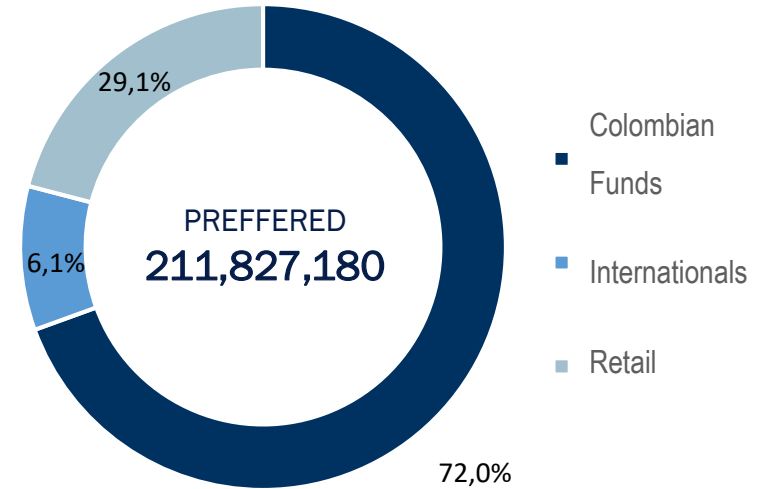
**CARLOS GALLEGU**  
Non - independent

## SHAREHOLDERS



Figures as of March 31, 2019

## RECOGNITIONS



Preferred shares do not carry voting rights

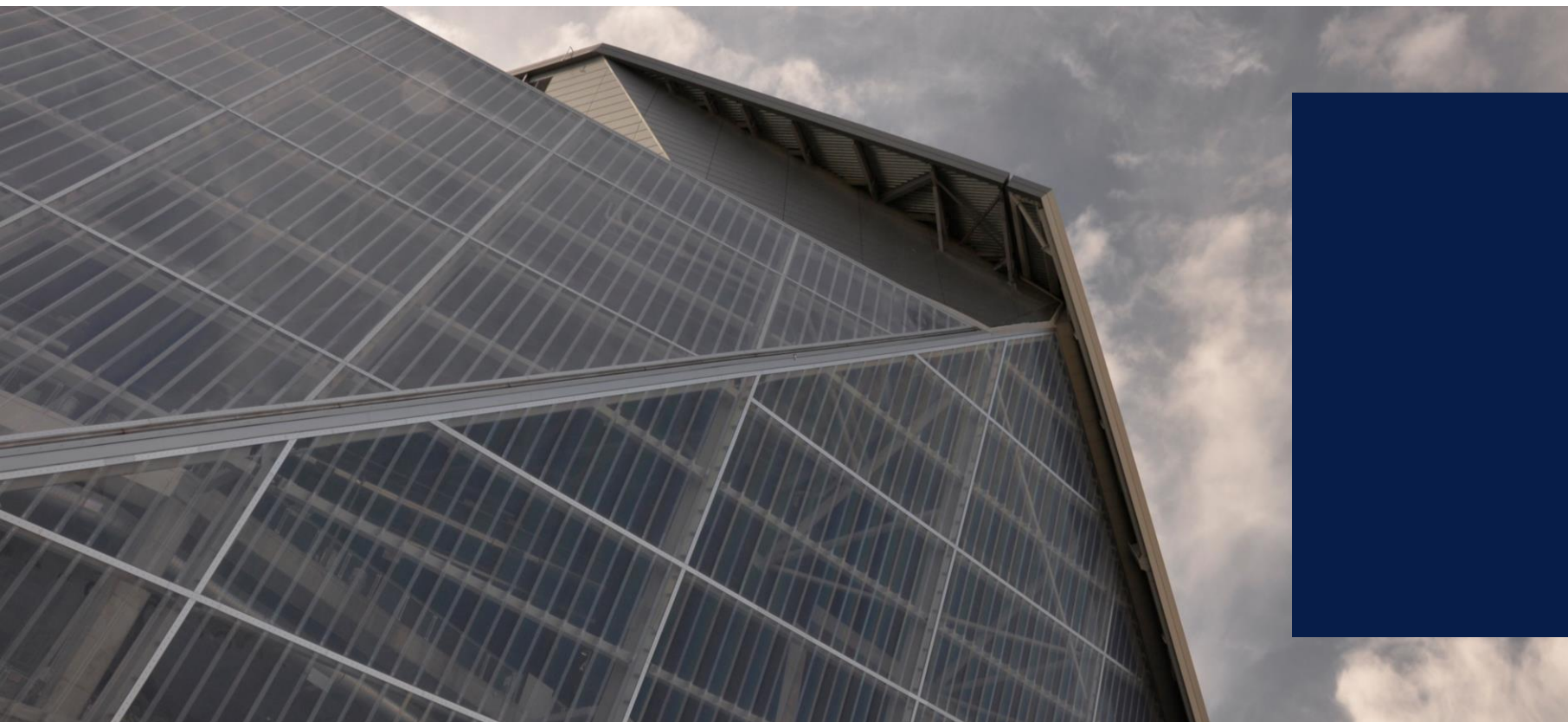
## AFFILIATIONS



The CEO Water Mandate

# GRUPO ARGOS ROLE AS HOLDING COMPANY

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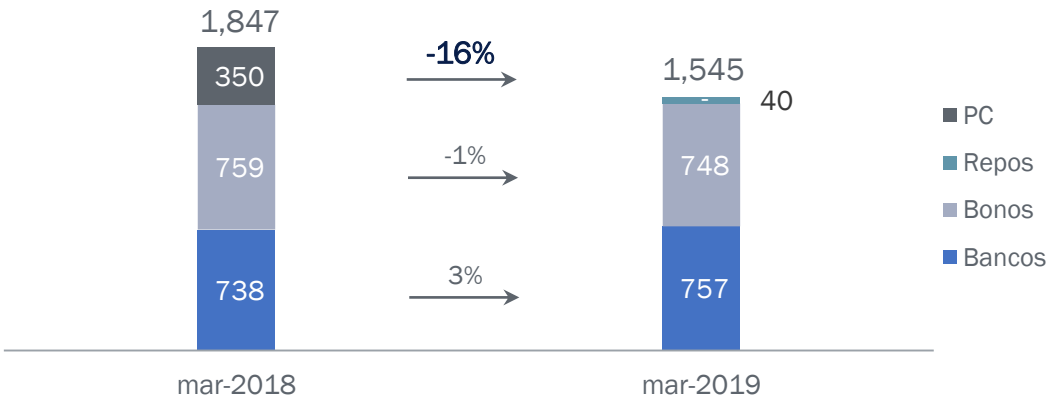


## CAPITAL STRUCTURE

GRUPO ARGOS CAPITAL STRUCTURE

# GRUPO ARGOS DEBT DECREASES BY 16% YOY

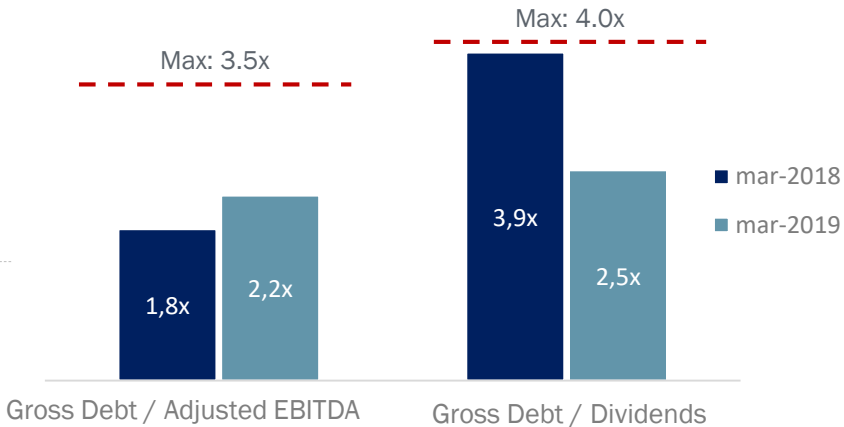
## INDEBTEDNESS\* COP bn



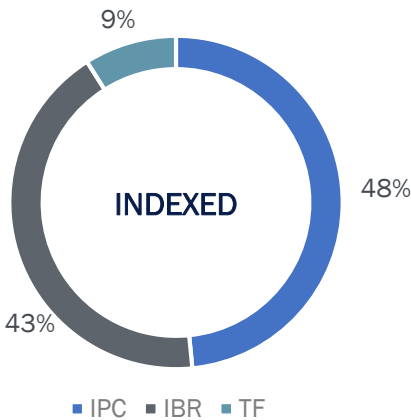
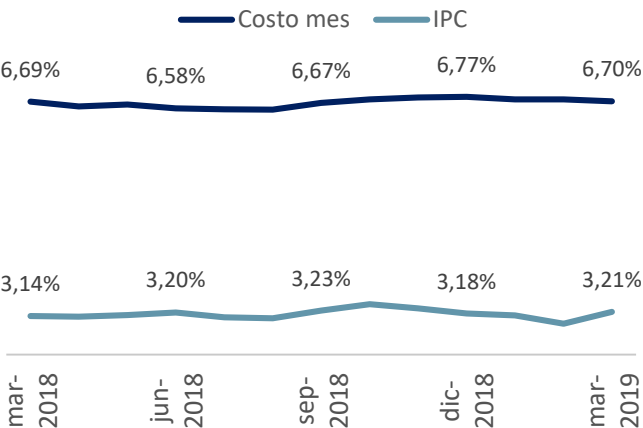
## LEVERAGE INDICATORS

Adjusted EBIDTA\*\* (COP billion):

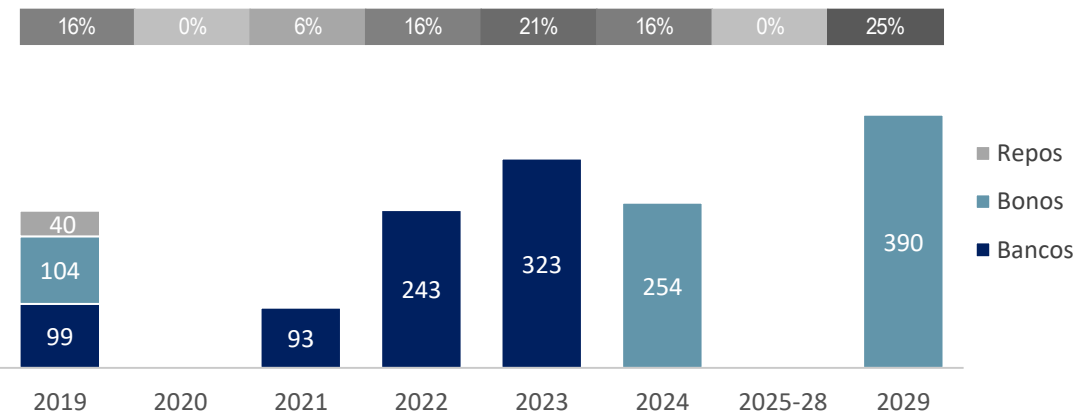
- Mar-2018: 1,041
- Mar-2019: 696



## COST OF BORROWING\*



## PROFILE OF MATURITIES (PRINCIPAL) COP bn



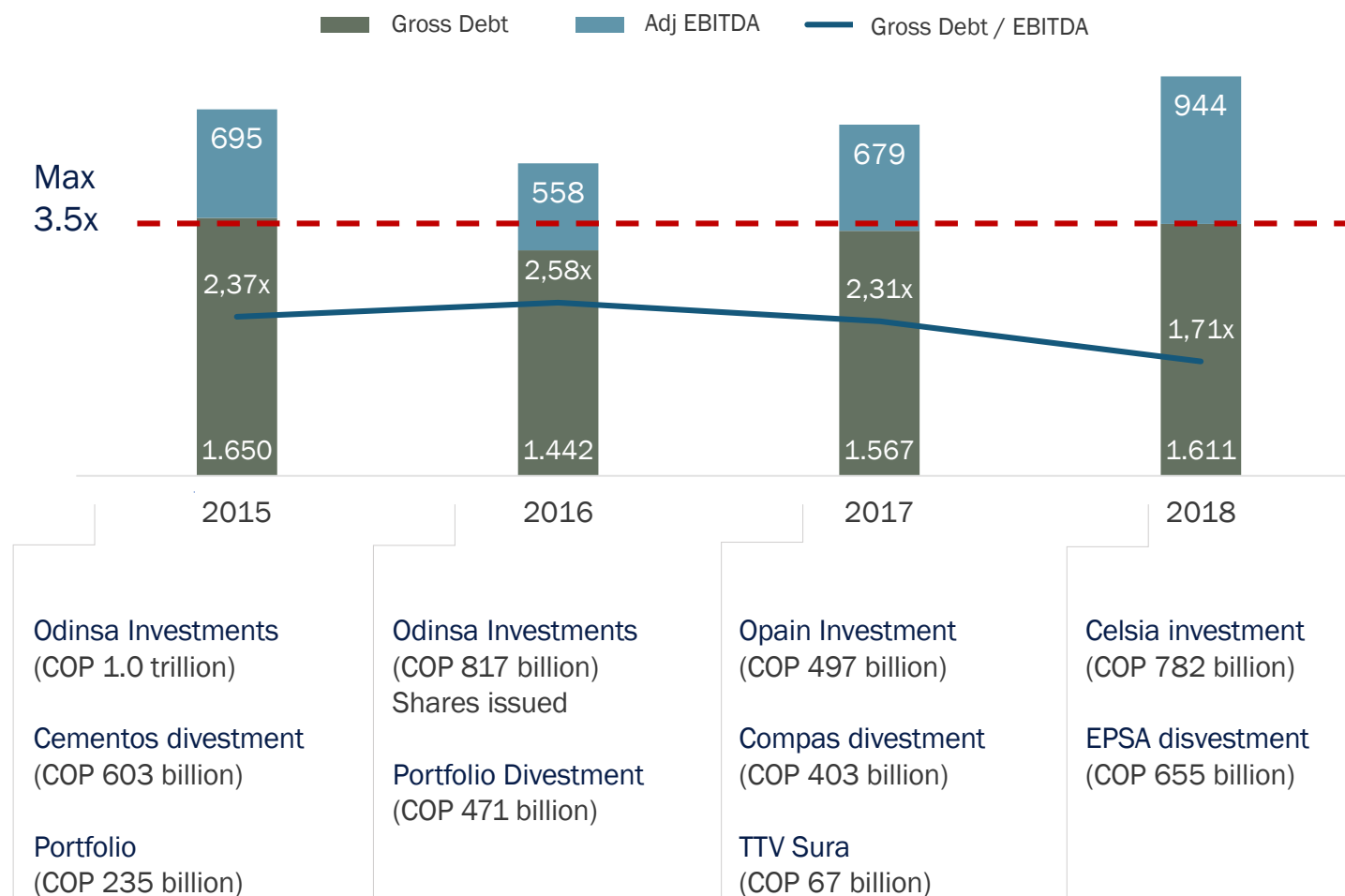
\* Only includes balance of principal. Inflation for current month

\*\*Adjusted EBIDTA (credit rating methodology) = EBIDTA (-) Equity method (+) Dividends received (+) Gains from divestments (-) Urban development valuations



## GRUPO ARGOS CAPITAL STRUCTURE

# LEVERAGE RATIOS EVOLUTIONS IN LINE WITH EFFICIENT CAPITAL ALLOCATION STRATEGY



From 2015 to 2018 Grupo Argos has:

INVESTED + COP 3,1 TN

DIVESTMENTS  
FOR COP 2,4 TN

Efficient debt management,  
supporting its growth

Ends 2018 with the lowest  
debt multiple

Adjusted EBITDA

+	EBITDA
-	Equity Method
+	Dividends received
+	Divestments income
=	Adjusted EBITDA

## CONSOLIDATED CAPITAL STRUCTURE

CONSOLIDATED DEBT INCREASES DUE TO CAPITAL MARKETS

2018-2019:  
Consolidated Debt increases 4% YoY to  
**COP 16 bn**

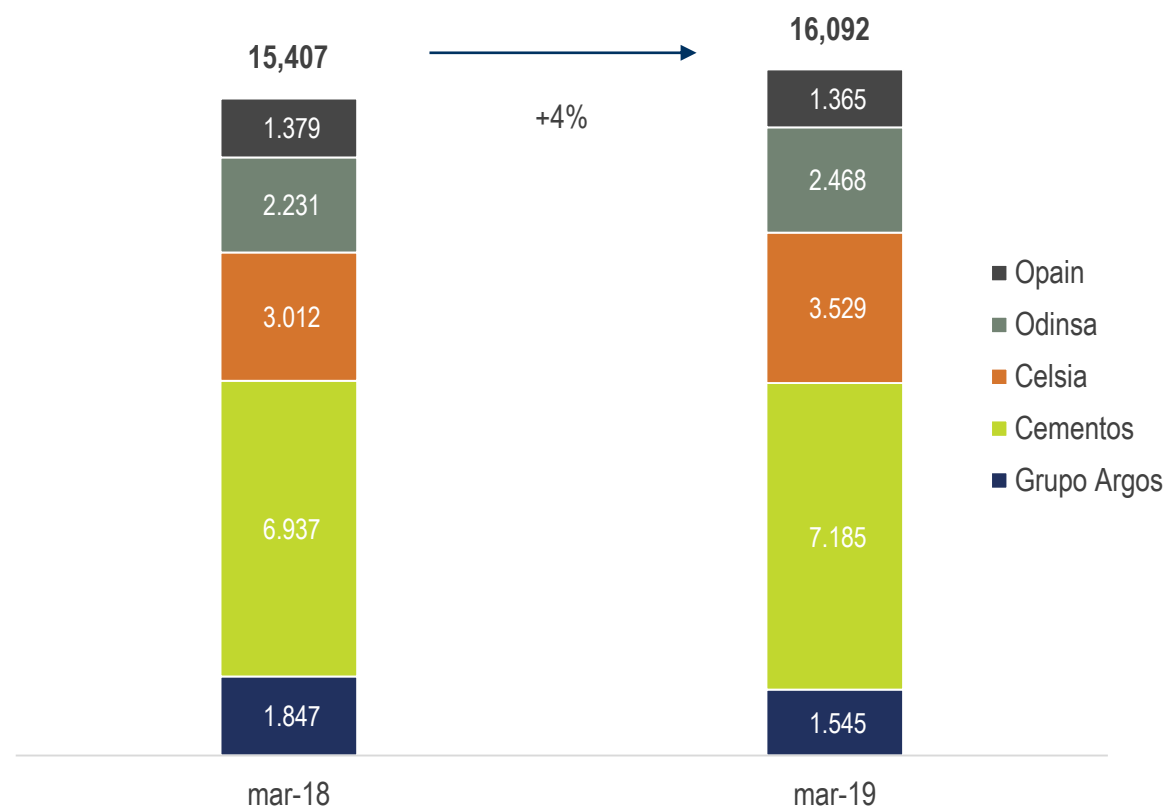
**34%** International Banks  
(-5% A/A)

**20%** Local Banks  
(-7% A/A)

**46%** Capital Markets  
(+20% A/A)

Consolidated Grupo Argos Net Debt indicators/  
EBITDA increases from 1,8x to 2,2x form 1Q18-  
1Q19

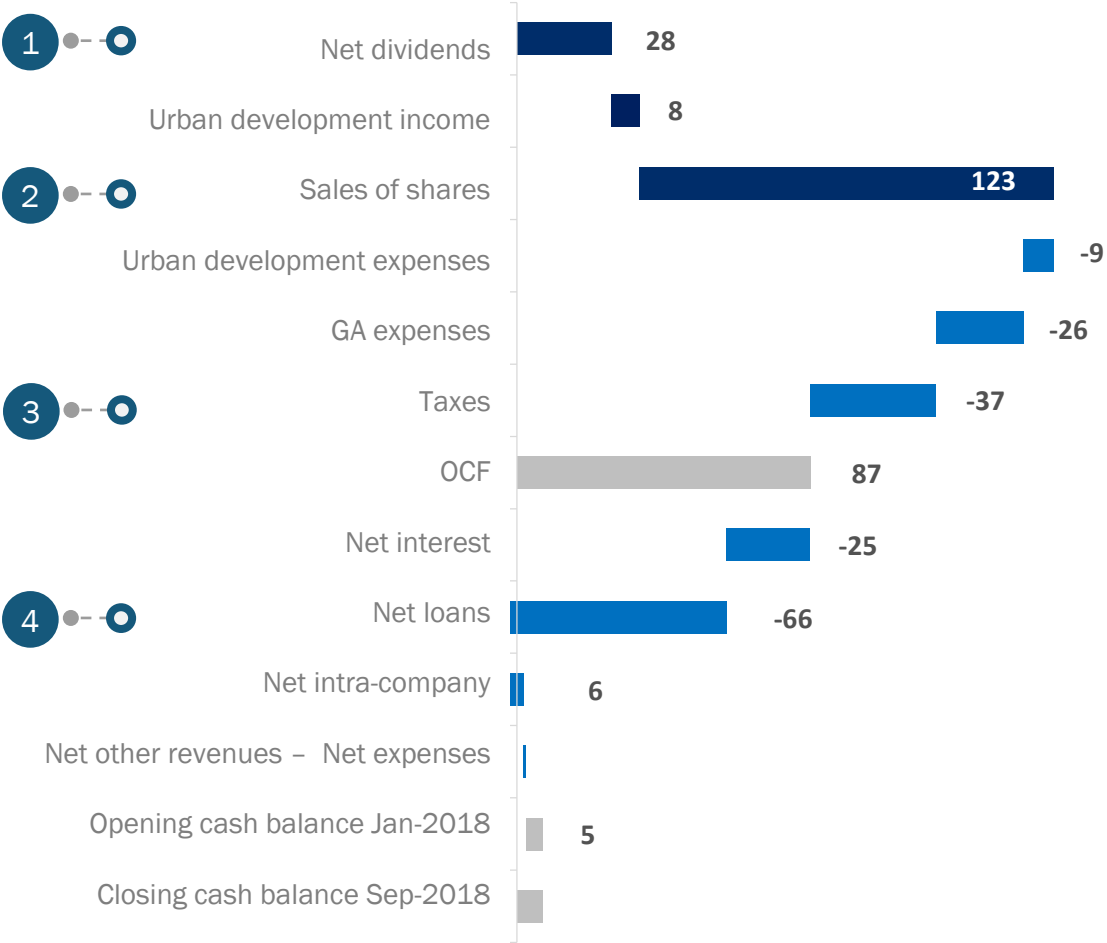
DEBT\* COP billions



GRUPO ARGOS CAPITAL STRUCTURE

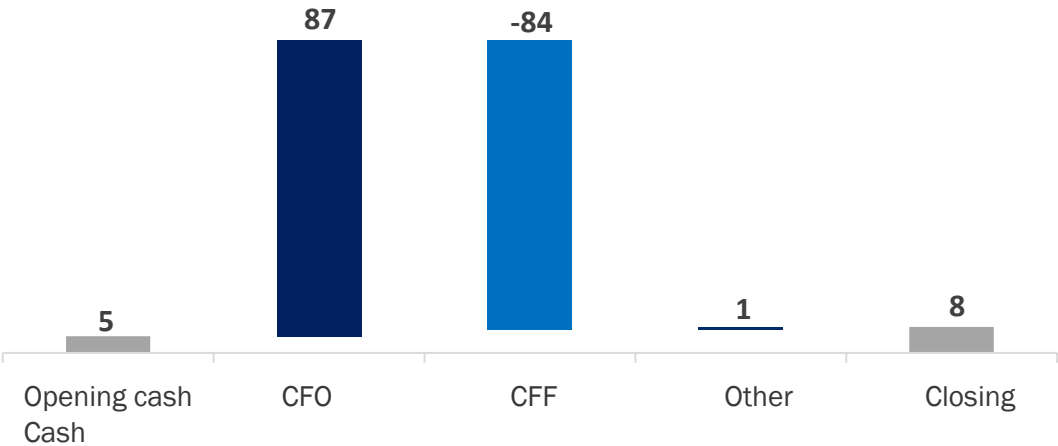
# HIGHLY EFFICIENT CASH MANAGEMENT

INDIVIDUAL FREE CASH FLOW COP bn



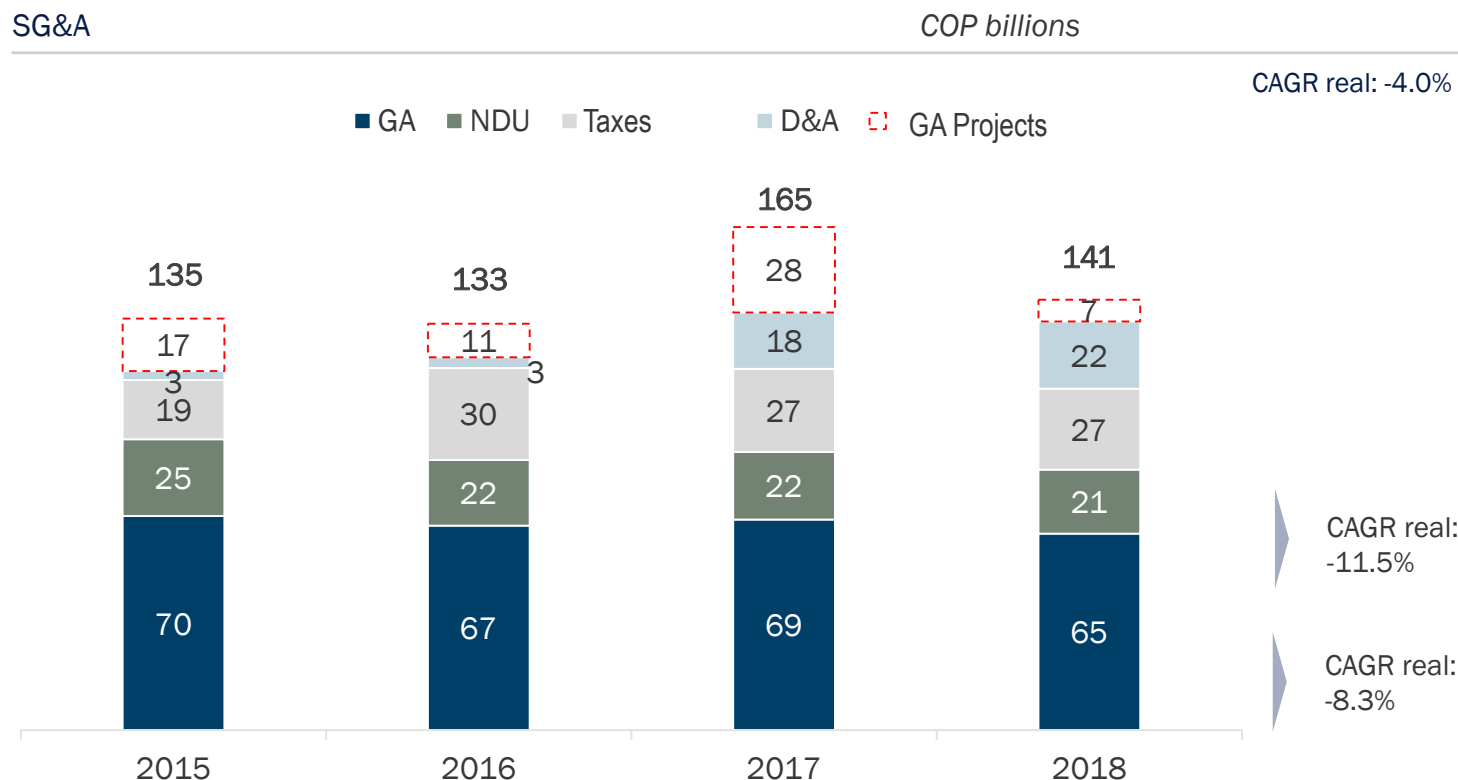
NOTES

- 1. Dividends received COP 98 bn, dividends paid COP 70 bn
- 2. 6,495,205 shares of Epsa @ \$18,905 per share
- 3. Land taxes: COP 27 bn, rent: COP 6 bn, withholding tax: COP 3 bn, other: COP 1 bn
- 4. Amortization of credits COP 95 bn, repurchase of Bonds COP 11 bn, disbursement of repos COP 40 bn



## GRUPO ARGOS EXPENSES

## BETWEEN 2015 -2018, CONTROLLABLE MANAGEMENT EXPENSES HAVE DECREASED 8.3% IN REAL TERMS



The costs associated with specific investment and divestment projects are not recurrent and depend on the dynamics and magnitude of the projects. According to the activity of the holding they should be registered as costs, but in the accounting they are recorded as expense

\* Excludes depreciation and taxes

\*\* AUM 2018 average with market prices and book value = COP 20,5 trillion

\*\* International equity funds: Morningstar, Prudential, Parnassus, JP Morgan, Vanguard, T Rowe

Grupo Argos Controllable  
Management Cost

**-8.3%**

CAGR (2015 – 2018)

Real Estate Business  
Expenses

**-11.5%**

CAGR (2015 – 2018)

Recurrent expenses GA\*/  
AUM\*\* 2018

**0,5%**

Vs. 0.82% average fee from  
international equity funds\*\*



# ANNEX FINANCIAL RESULTS 1Q19

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## CONSOLIDATED RESULTS GRUPO ARGOS 1Q2019

FIRST QUARTER WITH RESULTS STRENGTHENED BY THE ROLE OF THE HOLDING COMPANYCOP **1,5** tn

GRUPO ARGOS DEBT

▼ COP 300 bn

Sale of remaining stake of Grupo Argos in EPSA with resources used to decrease leverage

COP **1,7** tn

ENERTOLIMA ASSETS

▲ EPSA share increases to 63%

Strengthening of EPSA advances with purchase of Enertolima assets (users reach 1.1 mm) and purchase of additional EPSA share from Grupo Argos

USD **400** mm

QUIPORT BONDS

Capital structure optimization

Issuance of bonds for USD 400mn. Resources for Odinsa for USD 135 mm

USD **40** mm

GOAL BEST 2.0 USA 2019

1Q2019 efficiencies for ~ USD 5 mm

Implementation of BEST 2.0 in the USA with tangible results. Ebitda grows 27% in 1Q2019 for this regional

# EBITDA AND NET CONTROLLING INCOME GROW 6% AND 32%, RESPECTIVELY

RELEVANT FIGURES				
Consolidated Income Statement				
	COP billion	mar-19	mar-18	Var.(%)
1	Revenues	3,721	3,311	12%
	Costs, expenses and other revenues	3,112	2,703	15%
	Operating profit	610	607	0%
	EBIDTA	998	941	6%
	EBITDA (Excluding IFRS 16 impact)	953	941	1%
	EBIDTA margin	27%	28%	-160p
	Pre-tax profit	309	338	-9%
	Taxes	86	117	-27%
	Current	108	116	-6%
	Deferred items	-22	2	NA
	Net profit	223	221	1%
	Net profit of the controlling company	144	109	32%
	Net margin of the controlling company	4%	3%	57p
Proforma *				
2	EBITDA (Excluding IFRS 16 impact)	953	870	10%
	Margen EBITDA	26%	26%	-55p
	Net profit	223	150	49%
3	Net profit of the controlling company	144	75	93%

\*Excludes the effect of the divestment of self-generating plants in 2018 and impact by adoption of IFRS 16.

## 1. Quarter revenues grow 12%:

- Contribution from **Cementos (+COP 274 bn)** driven by higher volumes of cement and concrete and improvement in prices in Colombia and USA
- Contribution from **Energy business (+COP 13 bn)** driven by increase in spot prices and higher retail marketing in Colombia
- Contribution from **Concessions (+COP 55 bn)** driven by growth in traffic

## 2. EBITDA raises 6% in the quarter and 10% excluding the base effect of the divestment of self-generating plants from Cementos and IFRS 16

- Contribution of **Cementos (-COP 10 bn)** impacted by divestment of self generation assets. Eliminating this effect **proforma EBITDA would have been (+ COP 65 bn)**
- Contribution of **Concessions (+ COP 25 bn)** driven by increase in revenue and stability in expenditures

## 3. Net income for the Controller grows 32%. Excluding the base effect by divestment of self-generating plants and IFRS 16 net income of the controller would have grown 98%

- **Decrease in income tax of 27%** by change in taxation from presumptive to liquid income for Cementos and Grupo Argos

## INDIVIDUAL RESULTS GRUPO ARGOS 1Q2019

## NET INCOME INCREASES 26% YoY EXCLUDING NON RECURRING EVENTS

## RELEVANT FIGURES

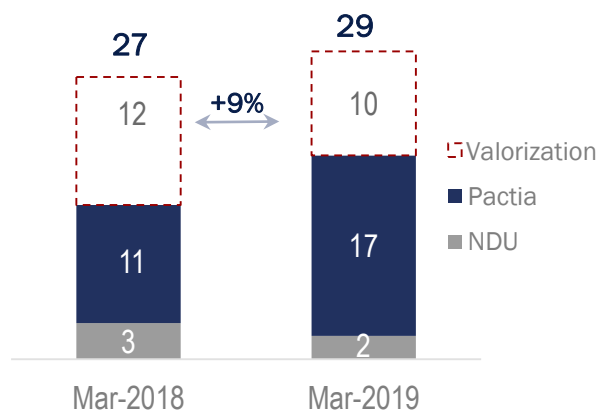
## Individual Income Statement

COP bn	mar-19	mar-18	Var.(%)
Revenue	308	851	-64%
Costs and other expenses	60	293	-79%
GA expenses	52	45	13%
<b>Operating profit</b>	<b>196</b>	<b>513</b>	<b>-62%</b>
<b>EBIDTA</b>	<b>200</b>	<b>514</b>	<b>-61%</b>
EBIDTA margin	65%	60%	464p
Pre-tax profit	170	486	-65%
Taxes	-2	6	-137%
Current	-3	5	-1,76
Deferred items <sup>2</sup>	1	1	5%
<b>Net profit</b>	<b>172</b>	<b>480</b>	<b>-64%</b>
Net margin	56%	56%	-48p

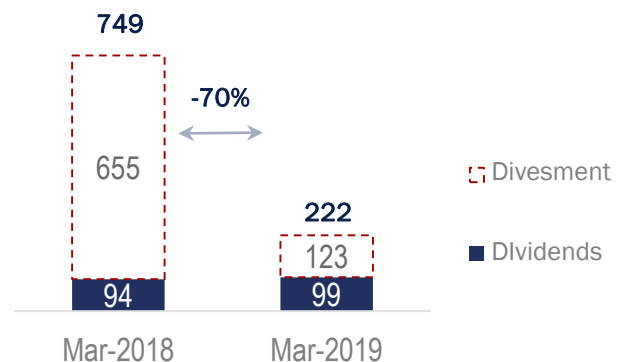
## Proforma\*

Revenue	185	161	15%
EBIDTA	136	119	14%
EBIDTA margin	73%	74%	-1%
Net profit	108	86	26%

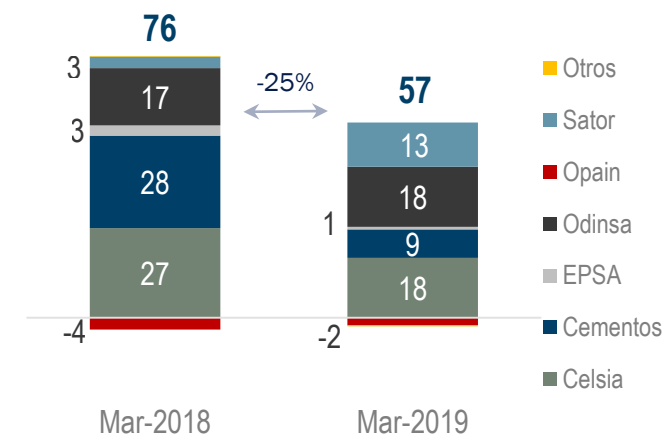
## INCOME Real Estate Bussines



## INCOME Financial Activity



## INCOME Equity Method



## Divesment

- **2019:** EPSA(COP 123,000 mm): 6.5 million shares
- **2018:** EPSA (COP 655,000 mm): 34.6 million shares