

GRUPO ARGOS

March 31, 2014 1Q Report

BVC: GRUPOARGOS, PFGRUPOARG

EXECUTIVE SUMMARY

- For the first quarter of 2014, revenues for consolidated Grupo Argos up to COP\$ 2 trillion (US\$ 1 billion), an increase of 15% in pesos and 2% in dollars from the same period in 2012.
- Consolidated EBITDA totaled COP\$ 575 billion (US\$ 287 million), an increase of 11% in pesos and a decrease of 0.5% in dollars. EBITDA margin stood at 28%.
- Company consolidated net income totaled 121 billion pesos, an increase of 6% comparing to the same period in 2013.
- On a consolidated basis at the end of the first quarter 2014, assets increased to 30 trillion pesos (US\$ 15 billion), an increase of 9% in pesos and 7% in dollars comparing with December 2013. In this same period, liabilities totaled COP\$ 10.3 trillion and Shareholders' equity totaled COP\$ 13 trillion (US\$ 6.6 billion), an increase of 4% in pesos and 2% in dollars.
- In the non-consolidated income statement Grupo Argos revenues up to COP\$225 billion an increase of 50% in pesos and 33% in dollars, Excluding the non-recurrent effect from the revenue from sales of investments generated from the divestiture of 1.000.000 preferred shares of Grupo Sura for 31 billion the increase is 29%.
- The non-consolidated Ebitda up to 150 billion an increase of 11% comparing the 1 quarter of 2013 and the net income totaled 121 billion pesos, an increase of 6%.
- In Grupo Argos non-consolidated balance sheet, the assets totaled 16.2 trillion pesos, increasing 5% in pesos or 3% in dollars compared with December 2013. In this same period, liabilities increased 12% in pesos or 10% in dollars totaling



COP\$ 2 trillion (US\$ 1 billion). Shareholders' equity increased to COP\$ 14.3 trillion an increase of 4% in pesos and 2% in dollars.

1Q2014 Results

Grupo Argos' positive trend of 2013 in different businesses and regions where it invests continued into the first quarter of the year. The positive and growing results of all the strategic lines stand out.

Likewise, Grupo Argos' investment in energy business is notable. Grupo Argos acquired 15,652,473 shares of Celsia for a total of 376,704,138 shares and a share of 52.35%, demonstrating its interest in leading this strategic sector and generating greater profits for its shareholders.

Additionally, important activities were carried out in the first quarter of the year for sustainable growth designed to balance economic profitability, social development and environmental responsibility.

Grupo Argos, as the investment parent company, together with its affiliates Argos (cement) and Celsia (energy), endorsed the CEO Water Mandate of the United Nations Global Compact. This is a public-private initiative that supports companies in the development, implementation and dissemination of water sustainability policies and practices.

Grupo Argos and its companies Argos and Celsia understand that water is resource that is becoming scarcer and less available in quantity and quality for different uses. Given that these companies use this natural resource as a main and secondary raw material in their manufacturing processes, they have committed to do so in an efficient and responsible way, comprehensively managing the risks associated with its use. Consequently, they have focused their management on two main targets for the conservation of this resource long-term: efficient use of water and water risk management.

Therefore, the three organizations adopted the CEO Water Mandate to contribute to the Global Compact and Millennium Development Goals, a priority of which is the management of water resources.

Additionally, UN-Habitat and Grupo Argos signed a memorandum of understanding to join forces to encourage dialog with the private sector regarding the implementation of the New World Urban Agenda which seeks the construction of more inclusive, compact cities that are better connected for their inhabitants, in the face of emerging challenges of urbanization in the 21st century.

Based on this, Grupo Argos will support the UN Habitat through its corporate social responsibility by carrying out activities, initiatives and projects related to technical assistance, and knowledge and experience exchange regarding subjects related to the three strategic pillars of said Agenda: Urban Planning and Design; Urban Legislation, Land Management and Governance, and Urban Economy.

By signing this memorandum, UN-Habitat and Grupo Argos, as a corporate conglomerate, agree on common goals and interests regarding sustainable urban development; confirm their commitment to foster knowledge and the exchange of good practices of planning and management of urban development for the effective transformation of cities. They agree to work together in the identification, definition and implementation of joint actions in cities and territories in Latin America and the Caribbean, as a way to ensure the well-being of their inhabitants.

Business Results

Cement business:

In the first quarter of the year Argos presented a positive operating figures in the markets where it operates, in this way closing the quarter with very positive results. It is also important to highlight the acquisition made in French Guiana, this closing the transaction in a unique moment of opportunity in the industry, taking advantage of the financial strength to a further develop of the business model and a value equal to a multiple of Ebitda company 6.2 times, which opens a very interesting possibility to create value in this asset.

It is important to mention the fact that in this first quarter all of the results of the acquired operation in Honduras were consolidated. Additionally, we included 24 days of the results corresponding to the new assets in Florida.

In Colombian Regional Division the market continues to show positive trends, especially in the bulk segment, highlighting the increases in volumes sold in both cement and ready-mix of 4% and 13% respectively compared to the first quarter of 2013.

In the United States Regional Division the market continues to show very positive and clear signs of recovery, which is reflected in the results of the Regional Division, which highlights an increase in the price of around 8% in both cement and

ready-mix and a positive EBITDA of \$ 1.8 million, an increase of 127% compared to the same quarter last year. This figure is very significant when you take into account that we are talking about what is, historically, the quarter with the most intense climatic conditions of the year, which were especially adverse in 2014.

Meanwhile, the Caribbean Regional Division is highlighted the excellent market trends seen in the Panamanian market and the positive effect of Honduras consolidation, thus cement volumes grew 21% and ready-mix volumes grew 10% compared to the first quarter of 2013, demonstrating the success of efforts to improve the vertical integration in the Regional Division, in which an important space to further strengthen the competitive position is observed.

In the first quarter of 2014, Argos sold 2.4 million cubic meters of ready mix, an increase of 14% and 2.7 million of cement tones, growing 4% when it is compared to the first quarter of 2013. Thus Cementos Argos recorded consolidated operating revenues of approximately \$1.3 billion dollars, growing by 18% from the same quarter of 2013. Consolidated EBITDA up to \$ 261 billion an increased 12% to comparing to the same period of 2013. The EBITDA margin stood at 20%. Finally, net income was close to \$ 80 billion, an increase of 52% over the 1Q2013.

Energy business:

Celsia presented positive results during the first quarter of 2014, where the mix of technologies in generation complemented by the distribution business allowed the organization to maintain the stability of the results and where it is highlighted the growth of the hydro generation in 30% based on the weather conditions of the first three months of the year.

As for the expansion plans, in the distribution business, EPSA advanced in the first quarter of the year in architecture works and design, social and environmental activities of the backup line to Buenaventura, 115 kV.

Likewise, in the generation business, Cucuana, of 55 MW, reached a total investment of COP 214 billion with a 79% construction progress. Bajo Tuluá, of 19.9 MW, reached a total investment of COP 136 billion with a progress of 70%. Both facilities are expected to initiate operations in the fourth quarter of the current year.

As for the figures, Celsia reached a total power generation of 1,739 GWh during the period, supplying 11.2% of the electricity produced in the Colombian electric system. 63.5% of this generation was hydro-power and 36.5% was thermal.

Consolidated revenues of 577 billion pesos decreasing by 2% compared to revenues in the same period last year, meanwhile, Consolidated EBITDA as of March increased 10%, reaching COP 231 billion, the largest quarterly level in the history of Celsia, and the EBITDA margin was 40%. Net income stood at \$ 49 billion, growing 2% compared to the first quarter of 2013.

Real Estate Business:

Situm continues with its urban development plan in Barranquilla and growing its investment in rental properties.

Over the first quarter, it obtained an urban development license for the LAGO ALTO – SECTION 16 (Villa Carolina, 8th Section) with the potential to build 1,127 Housing Units, plus two blocks of Socio-economic level 4 commercial use. This project is part of the General Urban Project (GUP) LAGO ALTO (251 hectares) processed in 2012.

Furthermore, in the first three months of the year, the deeds for lots A1, A2 and B1 of the Palmas Río project were registered, for a total of 22,511 m². The three projects have already broken even in sales and their construction has started. The total value of this negotiation was 22,511 million.

At the same time, the deed for lot D1 of 7,621 m² was registered. This lot is a part of the first of the project's two sections and construction began immediately after the deed was registered. This lot's value was 5,639 million.

In the property line, Situm acquired an important set of stores in the Aventura Shopping Mall located in Medellín. The future shopping mall under construction will be located in the heart of the renovated part of Medellín, a few steps from Ruta N, Parque Explora, the planetarium and The Botanic Garden. Recognized brands will be part of the shopping center, including Éxito. The Investment reached USD 17 million.

As regards financial figures, revenue from Q1 2014 was close to \$29 billion, 5 times higher than that reported in the same period of the previous year. EBITDA was

\$3,922 million, with a 214% growth compared to the - \$3,439 million of the first quarter of 2013. It is important to note that these figures are the total of the real estate business and include all of Grupo Argos' property operations. Also, these figures are recorded in the accounting of various companies.

Ports Business:

Over the first quarter of 2014, Compas continued advancing in its investment and consolidation plan for its operations in Colombia and Houston in the U.S.

The first 14 kilometers of the access road to the Aguadulce port were completed in the first quarter of 2014; 7 km are still to be built. As of July, it will provide complete access for machinery and equipment to carry out the project.

Moreover, Compas received confirmation from Bancolombia of their approval of USD 60 million loan, with a term of 10 years. This will ensure the availability of external funds for the Aguadulce project.

Furthermore at Compas' facility in Barranquilla, progress continues in the construction and start-up of the storage project for 240,000 barrels of diesel. These will allow Celsia, an affiliate of Grupo Argos, to fulfill its reliability requirements. At the end of the first quarter, progress was above 70%, and by the close of the second quarter of 2014, the first operational tests will have been completed.

Regarding financial figures, Compas' operating revenue in 2014 Q1 were over \$31 billion, 31% higher than the same period in 2013. This difference was due to the 91,552 tons of crude oil exported through Barranquilla, and the increase of coal exports, which compensated for the container loss at the Cartagena port.

The cumulative EBITDA minus the infrastructure leasing, which is a financial operation, reached \$10 billion, 81% higher than the same period of the previous year. This figure is due to the positive revenue performance and efficient operating costs.

Coal Business:

Sator continues to make progress in its reconfiguration plan, and despite the current conditions of the international coal market, due to Sator's sales team's efforts, the company increased volumes sold by 79%, reaching 132,000 tons in the first quarter of 2014, compared to 74,000 tons in the first quarter of 2013.

In the first three months of the year, the operating revenue reached \$16,155 million, which implies a 78% growth compared to the same period of the previous year.

EBITDA for the first quarter was - \$671 million, a figure higher than the - \$4,816 million of the first quarter of 2013.

Portfolio Investment of Grupo Argos at March 31 2014:

Company	Stake Held	Value (COP\$ million)	Value (US\$ million)***	Price per Share (In COP)*
<u>CEMENT</u>				
Cementos Argos	60,7%	7.043.971	3.584	10.080
<u>ENERGY</u>				
Celsia	52,4%	2.218.787	1.129	5.890
EPSA**	11,9%	376.990	192	9.165
<u>OTHER</u>				
Grupo Suramericana	29,4%	5.036.961	2.563	36.500
Grupo Suramericana (P)	7,4%	288.094	147	36.800
Bancolombia	2,5%	342.191	174	26.940
Grupo Nutresa	9,8%	1.234.250	628	27.280
Total		16.541.245	8.417	

* Price at March 31, 2014

** EPSA price is the initial acquisition price

*** Exchange rate at March 31, 2014: COP\$1,965,32 / 1 US\$

We will have a conference call to discuss these results this Wednesday April 30th at 8:00a.m. Colombia time, at which we shall be discussing our 1Q2014 results.

Conference ID: 33.556.386

Tel – United States / Canada: (866) 837 - 3612

Tel - Colombia: 01800.518.01.65

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A detailed presentation of these results shall be made available on Grupo Argos´ Investor Webpage (www.grupoargos.com) under home or the tab Financial Information / Reports

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GRUPO ARGOS S.A.
NON-CONSOLIDATED P&L STATEMENT
 YTD at March
 In millions of Colombian pesos or US dollars

	mar-14	mar-13	Var. (%)
Operating revenues	225.857	150.870	49,7
<i>US\$ dollars</i>	111	83,56	33,2
Dividends and participations	86.854	82.609	5,1
Revenues via equity method	79.058	66.088	19,6
Revenue from sales of investments	31368	0	0,0
Real Estate Business	28.577	2.173	na
Gross profit	182.463	150.870	20,9
<i>Gross margin</i>	<i>80,8%</i>	<i>100,0%</i>	
Operating expense	33.319	16.193	105,8
Expense via equity method	6.775	2.122	100,0
Administrative expense	22.699	12.155	86,7
Provisions for investments	3.488	1.398	149,5
Depreciation and amortization	357	518	-31,1
Operating profit	149.144	134.677	10,7
<i>Operating margin</i>	<i>66,0%</i>	<i>89,3%</i>	
EBITDA	149.501	135.195	10,6
<i>US\$ dollars</i>	74	74,82	-1,5
<i>EBITDA margin</i>	<i>66,2%</i>	<i>89,6%</i>	
Non-operating revenues	565	5.982	-90,6
Other income	565	5.982	-90,6
Non-operating expense	25.353	22.095	14,7
Financial	13.418	16.997	-21,1
Retirement pensions	137	197	-30,5
Other expense	11.798	4.901	140,7
(loss) profit exchange rate	(1.796)	(2.240)	na
Pre-tax earnings	122.560	116.324	5,4
Provision for income tax	1.476	1.563	-5,6
Net income	121.084	114.761	5,5
<i>US\$ dollars</i>	59	63	-6,3
<i>Net margin</i>	<i>53,6%</i>	<i>76,1%</i>	

GRUPO ARGOS S.A.
NON-CONSOLIDATED BALANCE SHEET
 In millions of Colombian pesos or US dollars

	mar-14	dec-13	Var. (%)
Cash and equivalents	104.694	92.302	13,4
Accounts receivable	501.064	203.010	146,8
Inventories	37.743	57.744	-34,6
Diferidos	809	89	809,0
CURRENT ASSETS	644.310	353.145	82,4
Permanent investments	8.258.374	8.189.320	0,8
Deudores	8.133	35.732	-77,2
Intangibles and deferred items	104.497	90.623	15,3
Property, plant and equipment, net appraisals	7.101.969	6.708.915	5,9
Other assets	1.500	1.500	0,0
NON-CURRENT ASSETS	15.564.942	15.116.239	3,0
TOTAL ASSETS	16.209.252	15.469.384	4,8
US\$ dollars	8.248	8.028	2,7
Financial obligations	498.391	373.158	33,6
Suppliers and accounts payable	108.694	71.408	52,2
Dividends payable	199.767	48.549	311,5
Taxes and rates	11.576	12.057	-4,0
Labor liabilities	879	1.712	-48,7
Other liabilities	52.364	48.618	7,7
CURRENT LIABILITIES	871.671	555.502	56,9
Financial obligations	445.109	445.109	0,0
Convertible bonds	584.387	694.448	-15,8
Taxes and rates	0	0	0,0
Labor liabilities	2.253	2.191	2,8
Other liabilities	53.595	53.595	0,0
NON-CURRENT LIABILITIES	1.085.344	1.195.343	-9,2
TOTAL LIABILITIES	1.957.015	1.750.845	11,8
US\$ dollars	996	909	9,6
SHAREHOLDERS' EQUITY	14.252.237	13.718.539	3,9
US\$ dollars	7.252	7.120	1,9
TOTAL LIABILITIES + SHAREHOLDERS' EQUITY	16.209.252	15.469.384	4,8

GRUPO ARGOS S.A.
CONSOLIDATED P&L STATEMENT
 YTD at March
 In millions of Colombian pesos or US dollars

	mar-14	mar-13	Var. (%)
Operating revenues	2.042.391	1.782.427	14,6
<i>US\$ dollars</i>	1.016	995	2,1
Variable costs	1.378.393	1.241.531	11,0
Cost of goods sold	1.270.965	1.132.476	12,2
Depreciation and amortization	107.428	109.055	-1,5
Gross Profit	663.998	540.896	22,8
<i>Gross margin</i>	32,5%	30,3%	
Overheads	224.039	153.265	46,2
Administrative expense	146.106	98.265	48,7
Selling expense	50.027	35.033	42,8
Depreciation and amortization	27.906	19.967	39,8
Operating Profit	439.959	387.631	13,5
<i>Operating margin</i>	21,5%	21,7%	
EBITDA	575.293	516.653	11,3
<i>US\$ dollars</i>	287	288	-0,5
<i>EBITDA margin</i>	28,2%	29,0%	
Non-operating revenues	54.926	72.447	-24,2
Dividends and stakes	35.289	33.313	5,9
Other income	19.637	39.134	-49,8
Non-operating expense	165.230	176.248	-6,3
Net financial expense	80.365	86.827	-7,4
Other expense	84.865	89.421	-5,1
Exchange difference	-1.322	-13.519	-90,2
Pre-tax earnings	328.333	270.311	21,5
Provision for taxes	106.205	88.403	20,1
Minority interest	101.044	67.147	50,5
Net income	121.084	114.761	5,5
<i>US\$ dollars</i>	59	63	-6,3
<i>Net margin</i>	5,9%	6,4%	

GRUPO ARGOS S.A.
CONSOLIDATED BALANCE SHEET
 In millions of Colombian pesos or US dollars

	mar-14	dec-13	Var. (%)
Cash and equivalents	1.518.169	1.526.948	-0,6
Trade receivables	1.073.502	811.657	32,3
Accounts receivable, net	643.047	471.676	36,3
Inventories	652.979	497.973	31,1
Prepaid expenses	59.004	35.940	64,2
CURRENT ASSETS	3.946.701	3.344.194	18,0
Permanent investments	1.007.801	1.001.182	0,7
Accounts receivable	802	10.518	-92,4
Inventories	48.763	85.247	-42,8
Deferred items and intangibles	3.269.584	2.732.394	19,7
Property, plant and equipment, net	8.441.297	7.566.366	11,6
Appraisals	13.226.486	12.656.081	4,5
Other assets	14.894	19.353	-23,0
NON-CURRENT ASSETS	26.009.627	24.071.141	8,1
TOTAL ASSETS	29.956.328	27.415.335	9,3
US\$ dollars	15.242	14.228	7,1
Financial obligations	941.502	720.914	30,6
Bonds outstanding	11.133	204.182	-94,5
Commercial Paper	0	0	#jDIV/0!
Suppliers and accounts payable	767.238	742.605	3,3
Dividends payable	385.385	103.212	273,4
Taxes and rates	275.094	304.355	-9,6
Labor liabilities	93.681	87.119	7,5
Sundry creditors	28.104	27.554	2,0
Other liabilities	846.019	668.750	26,5
CURRENT LIABILITIES	3.348.156	2.858.691	17,1
Financial obligations	2.589.307	1.063.692	143,4
Labor liabilities	323.218	326.510	-1,0
Deferred items	94.323	94.927	-0,6
Bonds outstanding	3.953.536	3.840.671	2,9
Bond placement premium	-6.568	-6.568	0,0
Sundry creditors	56.208	55.107	2,0
NON-CURRENT LIABILITIES	7.010.024	5.374.339	30,4
TOTAL LIABILITIES	10.358.180	8.233.030	25,8
US\$ dollars	5.270	4.273	23,3
Minority interest	6.622.296	6.741.142	-1,8
US\$ dollars	3.370	3.499	-3,7
SHAREHOLDERS' EQUITY	12.975.852	12.441.163	4,3
US\$ dollars	6.602	6.457	2,3
TOTAL LIABILITIES + SHAREHOLDERS' EQUITY	29.956.328	27.415.335	9,3