

# GRUPO ARGOS

## September 30, 2014 Report

BVC: GRUPOARGOS, PFGRUPOARG

### EXECUTIVE SUMMARY

- For the third quarter of 2014, revenues for consolidated Grupo Argos were nearly COP 6.6 trillion (USD 3.4 billion), an increase of 18% in pesos and 13% in dollars from the third quarter of 2013. By excluding the effect of the divestments carried out by the holding company on the Grupo Sura shares, and analyzing only the variation of operating revenue, the consolidated increase was 14%.
- The Consolidated EBITDA of Grupo Argos totaled COP 1.7 trillion (USD 860 million), an increase of 13% in pesos and 8% in dollars. The EBITDA margin was 25%.
- The company's consolidated net profit amounted to COP 332 billion, a 73% increase compared to the same period the previous year. Excluding non-recurring effects and the divestments carried out by the holding company, the increase in net profit was 7.5%.
- On a consolidated basis, at the end of the first half of 2014, assets exceeded COP 31.8 trillion (USD 16 billion), increasing 16% in pesos compared to December 2013 and 10% in dollars. During the same period, liabilities totaled COP 11 trillion. Equity totaled COP 13.8 trillion (USD 6.8 billion), an increase of 11% in pesos and 6% in dollars.
- In the non-consolidated financial statements, Grupo Argos revenues amount to COP 632 billion, equivalent to USD 352 million, a 66% increase in pesos and 72% in dollars. Excluding the effect of revenues from the sale of investments generated by the divestment of 1,734,560 preferred shares and 500,000 common shares of Grupo Sura, for COP 93 billion, the increase was 16%.
- The non-consolidated EBIDTA amounted to COP 322 billion, a 25% increase compared to the same half of 2013. Based on the same proforma analysis, the EBIDTA increased 12%.

- Net profit stood at COP 332 billion, a 73% increase, which is not comparable to the profit of the same period in 2013 due to the non-recurring effect mentioned above. With the exclusion thereof, net profit grew 8%.
- Non-consolidated assets amount to COP 17 trillion (USD 8.2 billion), an 11% growth in pesos and 5% growth in dollars compared to December 2013. Liabilities totaled COP 2 trillion (USD 1 billion), an increase of 17% in pesos and 11% in dollars. Equity amounted to COP 15 trillion (USD 7.4 billion), an increase of 10% in pesos and 4.5% in dollars.

## **RESULTS REPORT 3Q2014**

During the third quarter of the year, Grupo Argos continued to move forward in the different business areas it is involved in, with positive results.

In the cement business, Argos' drive continued in the markets where it operates, highlighting the excellent performance of the US regional division and the announcement of the expansion of the Sogamoso plant; in the energy business, Celsia took the first step in the process of internationalization, with the acquisition of assets in Panama and Costa Rica. Moreover, developing businesses continue to develop their strategic plans, specifically investing in properties for rent for the real estate business, and improving and building new port facilities.

On the financial front, the placement of ordinary bonds for COP 1 trillion was carried out successfully in the month of September, receiving an excess demand equivalent to 2.5 times the amount offered on the part of the market.

These resources will enable the optimization of the capital structure of Grupo Argos, and provide it with greater financial flexibility.

## **RESULTS BY BUSINESS**

### **The Cement Business:**

Argos had a solid third quarter that contributed positively to the 2014 results. It is important to mention the significant growth of the US Regional Division during the period, and the consolidation of the recently acquired operations in Florida, Honduras and French Guiana.

In the Colombian Regional Division, the competitive situation on the northern coast temporarily affected the growth of volumes in the cement business. However, the implementation of a strong business strategy, it has succeeded in regaining the leadership position in this area of the country. As at the third quarter of the year, there was a 3% growth in cement volumes, and a 5% growth in concrete volumes compared to the same period in 2013.

Exceptional performance was once again reported in the USA Regional Division, exceeding the expectations of recovery of the North American market. During the first nine months of the year, the regional division had an EBIDTA of USD 26.5 million, which is a 173% increase compared to the same period in 2013. These increases are the result of the larger volumes achieved both organically and due to the consolidation of the operations in Florida, and also because of the price increases.

The Caribbean and Central American Regional Division has had satisfactory results. It is important to point out the consolidation of the operations in Honduras and French Guyana, as well as the improvement of the EBITDA margin in Honduras and in Panama thanks to an important plan for the improvement of costs, the use of alternative fuels and the reduction in energy costs.

In terms of total numbers, Argos sold 8.3 million cubic meters of concrete in the first nine months of the year, showing a growth of 17.5%, and 9.3 million tons of cement, growing 9% compared to the same period of the previous year. Thus, Cementos Argos reported a consolidated operating revenue of COP 4.2 trillion, growing 16% compared to the same period in 2013. The consolidated EBITDA amounted to COP 805 billion, an 8% increase compared to the same period in

2013. The EBITDA margin stood at 18%, while the net profit as at September was nearly COP 217 billion, a 69% growth compared to the same period in 2013.

### **The Energy Business:**

Celsia's results were positive during the third quarter, although rainfall and the maintenance of two thermal power plants affected results to some extent.

The Meriléctrica and Flores II thermal units began maintenance in July and August, for which reason they were out of service. In addition, the generator of Río Piedras Unit 1 was replaced, incorporating several improvements that will result in the extension of its useful life and a reduction in future maintenance costs.

On August 13, the agreement signed with GDF Suez for the acquisition of assets from the electric sector in Panama and Costa Rica was announced, representing the first step in the company's internationalization.

Cucuana and Bajo Tuluá made advances of 94% and 97%, respectively. Bajo Tuluá is expected to begin operating by the end of the year and Cucuana in the first quarter of 2015.

All the constructions of the liquid fuel project in Barranquilla were completed and, following the operating tests conducted in October, the project was finalized.

Celsia made announcements with respect to the Porvenir II project. On one hand, it announced the amendment to the purchase and sale agreement signed with a subsidiary of Integrar S.A. in order to extend the term for the acquisition of shares issued by that company for one year. On the other hand, the competent authorities were informed that the firm energy obligations could not be fulfilled, considering that, to date, the construction of the power plant has not begun.

In terms of numbers, the energy produced by the organization during the first semester of 2014 reached 4,725 GWh. That is equivalent to 10% of the total production of the National Electrical Grid. 57% of this generation was hydroelectric and 43% was thermal.

Consolidated operating revenue was COP 1.9 trillion, a 10% growth compared to the revenue for the same period of the previous year. In turn, consolidated EBITDA at

the end of September increased 14%, reaching COP 742 billion with an EBITDA margin of 31%. Net profit stood at COP 171 billion compared to the COP 205 billion of the same period in 2013.

### **The Real Estate Business:**

Revenues for the month of September for the line of urban planning were COP 4.329 billion, resulting from the deed registration of Lot D5 of the Portal de Genovés II project, which was planned for the month of October.

In the properties for rent business, the Viva Villavicencio Shopping Mall, the largest commercial project in the region, was opened in the month of September. This project was carried out with Grupo Éxito and represented an investment of nearly COP 230 billion.

In terms of financial figures, income during the third semester of 2014 was close to COP 51 billion, a 9% increase with respect to that reported for the same period of the previous year. EBITDA was COP 14 billion, compared to the COP 18 billion of the third quarter<sup>5</sup> of 2013. This decrease was due to a drop in revenue during the quarter as a result of the decline in activity as regards the deed registration of lots. It is important to note that these figures are from the consolidated real-estate business and include all Grupo Argos real-estate operations. Therefore these numbers are recorded in various companies for accounting reasons.

### **The port business:**

In the third quarter of the year, it is important to mention the opening of the solid bulk plant at the Tolú terminal, with an immediate positive response on the part of the market, covering the import of more than 50,000 metric tons of grains.

A contract was signed for the construction of the Compas Bulk Terminal in Buenaventura, which will also have the most important and efficient infrastructure for the export of metallurgical coal. This new terminal is expected to begin operating in the first quarter of 2016.

Compas began working on the additional renovation of its terminal in Barranquilla, completing the construction of 380 additional meters of docking space during the first phase. With this renovation, there will be 4 docking positions on the Magdalena River.

In terms of financial figures, Compas operating revenue for the third semester of 2014 exceeded COP 91 billion, growing 22% with respect to the same period in 2013. In turn, the cumulative EBITDA (without the leasing of infrastructure, which is a financial operation) reached COP 26 billion and grew 37% with respect to the same period of the previous year. These figures were attained due to the positive trend of revenue and operational efficiency in costs.

### **Coal Business:**

In the third quarter, Sator maintained its line of growth, where the positive EBITDA during the period is highlighted due to an increase in sales, and reduced costs and spending.

Sator divested its mines in the Departments of Boyacá, Cauca and Cundinamarca to focus on the operations that meet the requirements of quality, production and profitability, and the Group's sustainability standards in general.

During the first semester of the year, 376 thousand tons were sold, in comparison with 327 thousand tons of the previous year, representing an increase of 15%. It is important to point out that during the first four months of 2013, the Bijao Mine experienced operating issues.

In terms of financial figures, revenue grew 19%, reaching COP 48 billion. EBITDA was COP 377 million, compared to COP -11.5 billion in 2013. This difference is the result of management's plan for the closing and divestment of mines and the restructuring of operating expenses that has been implemented throughout the year

<b>Company</b>	<b>Stake Held</b>	<b>Value (COP\$ million)</b>	<b>Value (US\$ million)***</b>	<b>Price per Share (In COP)*</b>
<b><u>CEMENT</u></b>				
Cementos Argos	<b>60,7%</b>	7.547.112	3.732	10.800
<b><u>ENERGY</u></b>				
Celsia	<b>52,4%</b>	2.290.361	1.133	6.080
EPSA**	<b>11,9%</b>	370.210	183	9.000
<b><u>OTHER</u></b>				
Grupo Suramericana	<b>29,3%</b>	5.587.957	2.764	40.640
Grupo Suramericana (P)	<b>2,4%</b>	102.028	50	40.500
Bancolombia	<b>2,5%</b>	351.590	174	27.680
Grupo Nutresa	<b>9,8%</b>	1.253.253	620	27.700
<b>Total</b>		<b>17.502.510</b>	<b>8.656</b>	



*We will have a conference call to discuss these results this Thursday October 30th at 8:00a.m. Colombia time, at which we shall be discussing our 3Q2014 results.*

## **Conference ID: 22.134.064**

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

*Tel - Colombia: 01800.518.01.65*

*Tel - International/Local: (706) 634 - 9385*

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

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**GRUPO ARGOS S.A.**  
**NON-CONSOLIDATED P&L STATEMENT**  
For the 9 months ending September 30th, 2014  
In millions of Colombian pesos or US dollars

	sep-14	sep-13	Var. (%)
<b>Operating revenues</b>	<b>632.038</b>	<b>379.932</b>	<b>66,4</b>
<i>US\$ dollars</i>	<b>352</b>	<b>204,91</b>	<b>71,9</b>
Dividends and participations	88.765	82.659	7,4
Revenues via equity method	234.460	197.382	18,8
Revenue from sales of investments	257.877	57.603	347,7
Real Estate Business	50.936	42.288	20,5
<b>Gross profit</b>	<b>404.515</b>	<b>317.697</b>	<b>27,3</b>
<i>Gross margin</i>	<i>64,0%</i>	<i>83,6%</i>	
<b>Operating expense</b>	<b>85.610</b>	<b>61.854</b>	<b>38,4</b>
Expense via equity method	20.795	18.735	11,0
Administrative expense	58.147	37.458	55,2
Provisions for investments	3.229	4.107	-21,4
Depreciation and amortization	3.439	1.554	121,3
<b>Operating profit</b>	<b>318.905</b>	<b>255.843</b>	<b>24,6</b>
<i>Operating margin</i>	<i>50,5%</i>	<i>67,3%</i>	
<b>EBITDA</b>	<b>322.344</b>	<b>257.397</b>	<b>25,2</b>
<i>US\$ dollars</i>	<b>166</b>	<b>139,46</b>	<b>19,0</b>
<i>EBITDA margin</i>	<i>51,0%</i>	<i>67,7%</i>	
<b>Non-operating revenues</b>	<b>96.563</b>	<b>9.211</b>	<b>948,3</b>
Other income	96.563	9.211	948,3
<b>Non-operating expense</b>	<b>70.008</b>	<b>61.098</b>	<b>14,6</b>
Financial	44.562	49.315	-9,6
Retirement pensions	642	889	-27,8
Other expense	24.804	10.894	127,7
(loss) profit exchange rate	-8.448	-6.069	39,2
<b>Pre-tax earnings</b>	<b>337.012</b>	<b>197.887</b>	<b>70,3</b>
Provision for income tax	4.893	5.839	-16,2
<b>Net income</b>	<b>332.119</b>	<b>192.048</b>	<b>72,9</b>
<i>US\$ dollars</i>	<b>172</b>	<b>104</b>	<b>64,8</b>
<i>Net margin</i>	<i>52,5%</i>	<i>50,5%</i>	

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

	sep-14	dec-13	Var. (%)
Cash and equivalents	398.460	92.302	331,7
Accounts receivable	382.234	203.010	88,3
Inventories	41.233	57.744	-28,6
Diferidos	199	89	123,6
<b>CURRENT ASSETS</b>	<b>822.126</b>	<b>353.145</b>	<b>132,8</b>
Permanent investments	8.319.337	8.189.320	1,6
Deudores	8.793	35.732	-75,4
Intangibles and deferred items	133.892	90.623	47,7
Property, plant and equipment, net appraisals	229.527	90.149	154,6
Other assets	7.621.805	6.708.915	13,6
Other assets	1.755	1.500	17,0
<b>NON-CURRENT ASSETS</b>	<b>16.315.109</b>	<b>15.116.239</b>	<b>7,9</b>
<b>TOTAL ASSETS</b>	<b>17.137.235</b>	<b>15.469.384</b>	<b>10,8</b>
<b>US\$ dollars</b>	<b>8.448</b>	<b>8.028</b>	<b>5,2</b>
Financial obligations	145.000	373.158	-61,1
Suppliers and accounts payable	68.586	71.408	-4,0
Dividends payable	101.407	48.549	108,9
Taxes and rates	423	12.057	-96,5
Labor liabilities	2.009	1.712	17,3
Other liabilities	110.733	48.618	127,8
<b>CURRENT LIABILITIES</b>	<b>428.158</b>	<b>555.502</b>	<b>-22,9</b>
Financial obligations	50.109	445.109	-88,7
Convertible bonds	1.558.686	694.448	124,4
Taxes and rates	0	0	0,0
Labor liabilities	2.191	2.191	0,0
Other liabilities	1.789	53.595	-96,7
<b>NON-CURRENT LIABILITIES</b>	<b>1.612.775</b>	<b>1.195.343</b>	<b>34,9</b>
<b>TOTAL LIABILITIES</b>	<b>2.040.933</b>	<b>1.750.845</b>	<b>16,6</b>
<b>US\$ dollars</b>	<b>1.006</b>	<b>909</b>	<b>10,7</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>15.096.302</b>	<b>13.718.539</b>	<b>10,0</b>
<b>US\$ dollars</b>	<b>7.442</b>	<b>7.120</b>	<b>4,5</b>
<b>TOTAL LIABILITIES + SHAREHOLDERS' EQUITY</b>	<b>17.137.235</b>	<b>15.469.384</b>	<b>10,8</b>

**GRUPO ARGOS S.A.**  
**CONSOLIDATED P&L STATEMENT**  
For the 9 months ending September 30th, 2014  
In millions of Colombian pesos or US dollars

	sep-14	sep-13	Var. (%)
<b>Operating revenues</b>	<b>6.642.653</b>	<b>5.645.303</b>	<b>17,7</b>
<i>US\$ dollars</i>	<b>3.425</b>	<b>3.044</b>	<b>12,5</b>
<b>Variable costs</b>	<b>4.727.880</b>	<b>4.048.416</b>	<b>16,8</b>
Cost of goods sold	4.379.027	3.708.811	18,1
Depreciation and amortization	348.853	339.605	2,7
<b>Gross Profit</b>	<b>1.914.773</b>	<b>1.596.887</b>	<b>19,9</b>
<i>Gross margin</i>	28,8%	28,3%	
<b>Overheads</b>	<b>667.673</b>	<b>512.422</b>	<b>30,3</b>
Administrative expense	447.789	334.296	33,9
Selling expense	146.717	122.998	19,3
Depreciation and amortization	73.167	55.128	32,7
<b>Operating Profit</b>	<b>1.247.100</b>	<b>1.084.465</b>	<b>15,0</b>
<i>Operating margin</i>	18,8%	19,2%	
<b>EBITDA</b>	<b>1.669.120</b>	<b>1.479.198</b>	<b>12,8</b>
<i>US\$ dollars</i>	<b>860</b>	<b>799</b>	<b>7,6</b>
<b>EBITDA margin</b>	<b>25,1%</b>	<b>26,2%</b>	
<b>Non-operating revenues</b>	<b>230.278</b>	<b>127.814</b>	<b>80,2</b>
Dividends and stakes	37.476	34.125	9,8
Other income	192.802	93.689	105,8
<b>Non-operating expense</b>	<b>486.485</b>	<b>450.608</b>	<b>8,0</b>
Net financial expense	257.068	249.524	3,0
Other expense	229.417	201.084	14,1
Exchange difference	-2.068	-94	2100,0
<b>Pre-tax earnings</b>	<b>988.825</b>	<b>761.577</b>	<b>29,8</b>
Provision for taxes	330.066	316.831	4,2
Minority interest	326.640	252.698	29,3
<b>Net income</b>	<b>332.119</b>	<b>192.048</b>	<b>72,9</b>
<i>US\$ dollars</i>	<b>172</b>	<b>104</b>	<b>64,8</b>
<i>Net margin</i>	5,0%	3,4%	

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

	jun-14	dec-13	Var. (%)
Cash and equivalents	1.729.435	1.526.948	13,3
Trade receivables	1.073.358	811.657	32,2
Accounts receivable, net	1.121.606	471.676	137,8
Inventories	747.827	497.973	50,2
Prepaid expenses	74.824	35.940	108,2
<b>CURRENT ASSETS</b>	<b>4.747.050</b>	<b>3.344.194</b>	<b>41,9</b>
Permanent investments	839.987	1.001.182	-16,1
Accounts receivable	39.083	10.518	271,6
Inventories	0	85.247	-100,0
Deferred items and intangibles	2.947.544	2.732.394	7,9
Property, plant and equipment, net	9.242.029	7.566.366	22,1
Appraisals	13.935.993	12.656.081	10,1
Other assets	15.111	19.353	-21,9
<b>NON-CURRENT ASSETS</b>	<b>27.019.747</b>	<b>24.071.141</b>	<b>12,2</b>
<b>TOTAL ASSETS</b>	<b>31.766.797</b>	<b>27.415.335</b>	<b>15,9</b>
<b>US\$ dollars</b>	<b>15.660</b>	<b>14.228</b>	<b>10,1</b>
Financial obligations	984.043	720.914	36,5
Bonds outstanding	124.258	204.182	-39,1
Commercial Paper	0	0	0,0
Suppliers and accounts payable	1.453.773	742.605	95,8
Dividends payable	208.237	103.212	101,8
Taxes and rates	82.792	304.355	-72,8
Labor liabilities	104.158	87.119	19,6
Sundry creditors	81.277	27.554	195,0
Other liabilities	803.135	668.750	20,1
<b>CURRENT LIABILITIES</b>	<b>3.841.673</b>	<b>2.858.691</b>	<b>34,4</b>
Financial obligations	1.951.420	1.063.692	83,5
Labor liabilities	321.347	326.510	-1,6
Deferred items	85.885	94.927	-9,5
Bonds outstanding	4.593.509	3.840.671	19,6
Bond placement premium	-5.310	-6.568	-19,2
Other liabilities	210.524	0	N/A
Sundry creditors	29.007	55.107	-47,4
<b>NON-CURRENT LIABILITIES</b>	<b>7.186.382</b>	<b>5.374.339</b>	<b>33,7</b>
<b>TOTAL LIABILITIES</b>	<b>11.028.055</b>	<b>8.233.030</b>	<b>33,9</b>
<b>US\$ dollars</b>	<b>5.437</b>	<b>4.273</b>	<b>27,2</b>
<b>Minority interest</b>	<b>6.904.327</b>	<b>6.741.142</b>	<b>2,4</b>
<b>US\$ dollars</b>	<b>3.404</b>	<b>3.499</b>	<b>-2,7</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>13.834.415</b>	<b>12.441.163</b>	<b>11,2</b>
<b>US\$ dollars</b>	<b>6.820</b>	<b>6.457</b>	<b>5,6</b>
<b>TOTAL LIABILITIES + SHAREHOLDERS' EQUITY</b>	<b>31.766.797</b>	<b>27.415.335</b>	<b>15,9</b>