

Grupo Argos increases revenue in the second quarter to reach 3.6 trillion pesos

- *Grupo Argos separate income increased 9% in the second quarter, reaching 148 billion pesos.*
- *Results in the second quarter confirm the advantages of the Grupo Argos portfolio, with a presence in various infrastructure sectors and different geographies, giving balance and complementarity to the results.*
- *At the end of the period, the Grupo Argos portfolio of assets was COP 48 trillion, growing by 7% from December 2016.*

Grupo Argos increased consolidated revenue by 5% during the second quarter of 2017, compared with the same period the prior year, reaching COP 3.6 trillion, with Ebitda margin stable at 25%.

The Grupo Argos operating results reflect the advantages of a balanced portfolio in infrastructure with presence in several geographies, allowing for appropriate capital assignment.

As communicated to the market, in its role as active portfolio manager, Grupo Argos reached an agreement in August to divest its 50% stake in Compas for COP 407 billion, representing a return of 2.5 x on the investment made. The transaction, subject to the usual closing conditions for this type of operations, is equal to 25x the 2016 Compas Ebitda. The positive effects of this transaction will be seen in the financial results when the operation closes.

"Along with the positive operational and financial indicators in the energy and road and airport concessions businesses, this quarter reflected a positive trend in the cement business in Colombia, with shipments growing 7%, which gives us optimism for the second half results" , stated Jorge Mario Velásquez, Grupo Argos' CEO.

Business Group Results for Second Quarter of 2017:

The consolidated Ebitda between April and June rose to COP 873 billion, with a positive contribution of COP 177 billion from the concessions business and COP 280 billion from the energy business. Consolidated net profit reached COP 215 billion and the net profit for the controlling entity, COP 106 billion. At the end of the period, Grupo Argos' portfolio of assets was COP 48 trillion, growing by 7% from December 2016.

The concessions business has begun to have a greater impact on Grupo Argos' results, with Odinsa revenue representing 13% of consolidate revenue in the second quarter of 2017, gowing 6% with respect to the second quarter of 2016.

In this quarter, Grupo Argos maintained its rating and stable outlook by Fitch and S&P, while Celsia and Odinsa improved their ratings outlook improve from negative to stable.

The portfolio strategy has been accompanied by the confidence of the financial markets, which in the second quarter favorably received the Grupo Argos commercial paper issuance of COP 350 billion with an oversubscription of 2.7x at a rate of 6.14%, as well as the successful issuance of Cementos Argos' ordinary bonds for COP one trillion, oversubscribed 1.7x and at a highly competitive rate of 7.22% in average.

Commitment to sustainability

In June of 2017, Grupo Argos and its subsidiary Cementos Argos were added to the FTSE4Good global index for their performance in environmental, social and corporate governance. The index assesses more than 4,000 companies in corporate governance, anti-corruption, human and community rights, climate change and biodiversity, among others.

Results

Concessions Business. Odinsa consolidated revenue was COP 203 billion, up 54% from same period last year. With the portfolio restructuring, Odinsa contributed Ebitda of COP 134 billion, up 65% with respect to second quarter 2016, for an Ebitda margin of 66%. At the operational level, Odinsa showed stability in vehicle and passenger traffic, with increases of 1.5% and 3.3%, respectively.

Cement Business. Cementos Argos results for this second quarter demonstrate its capacity to adapt to the market challenges in Colombia, with a trend towards recovery. This was seen in the sustained increase in cement dispatched, up 18% from same quarter the prior year, with a 9% growth in sales in the United States and an improvement of 400 basis points in the Ebitda margin with respect to the first quarter of 2017; the margin in June was over 21%, the highest in the last 18 months.

Energy Business. Celsia obtained very satisfactory results, with an Ebitda margin of 38%, reflecting the strengthened operation. Consolidated revenue reached COP 743 billion, less than the same period last year, as a result of lesser thermic generation and lower exchange prices; nevertheless, a marked reduction in costs led to an Ebitda for the quarter of COP 279 billion, 6% higher than the same quarter in 2016.

Real estate business. In the second quarter, deeds were registered for 29 thousand square meters, which translated to COP 45 billion in revenue and COP 55 billion in cash flow. The positive results of the real estate fund Pactia stand out, which since its start last January 20 has shown growth in unit value with annual effective returns of 7.7%.