

# GRUPO ARGOS

## March 31, 2013 1Q Report

BVC: INVARGOS, PFINVRAGOS

### EXECUTIVE SUMMARY

- For the first quarter of 2013, revenues for consolidated Grupo Argos up to COP\$ 1.7 trillion (US\$ 995 millions), an increase of 10% in pesos and dollars from the same period in 2012.
- Consolidated EBITDA totaled COP\$ 517 thousand million (US\$ 288 million), an increase of 15% in pesos and dollars. EBITDA margin stood at 29%, increasing 125 basis points in comparison to 2012.
- Company consolidated net income totaled 115 billion pesos; this number is not comparable with the 223 billion pesos of the first quarter 2012, due to the non-operating income. In the first quarter 2012 Cementos Argos generated non-recurring extraordinary profits of 193 billion pesos due to the divestures of non-strategic assets. Excluding this effect, the increase would be 38%, from 83 billion pesos to 115 billion pesos
- On a consolidated basis at the end of the first quarter 2013, assets increased to 26.9 trillion pesos (US\$ 15 billion), in line with December 2012. In this same period, liabilities totaled COP\$ 9,1 trillion and Shareholders' equity totaled COP\$ 12,8 trillion (US\$ 7,2 billion), an increase of 1% in pesos.
- In the non-consolidated income statement Grupo Argos revenues up to COP\$151 thousand millions a decrease of 40% in pesos and 41% in dollars, the decrease is mainly due to the lower revenues via equity method of Cementos Argos, as a result of a lower non-operating income. The net income up to COP\$115 thousand million and it is not comparable with 2012.
- In Grupo Argos non-consolidated balance sheet, the assets totaled 16 trillion pesos, decreasing 1% in pesos or 4% in dollars compared with December 2012. In this same period, liabilities decreased 14% in pesos or 17% in dollars totaling



COP\$ 1,8 trillion (US\$ 0.9 millions). Shareholders 'equity increased to COP\$ 14,2 trillion an increase of 1% in pesos and a decrease of 2% in dollars.

## **1Q2012 Results**

The first quarter of this year shows a positive balance for Grupo Argos; its mature cement and energy businesses continue showing mounting results; furthermore, its ports, real estate and coal businesses continue to make progress in terms of growth and consolidation.

It should also be pointed out that during the first quarter of 2013, with the purpose of continuing with the plan of optimizing the consolidation of the capital structure, debt has been paid in the amount of \$383 billion.

## **Business Results**

### **The Cement business:**

The beginning of the year showed a satisfactory result for Cementos Argos. In the first quarter of 2013, operational figures increased in most of its markets, highlighting the increase in the company EBITDA margin.

In the Colombian Region, the strategy of operational excellence in this regional division lead to important cost savings in the production and logistics areas, mainly through the improvement of the reliability factor of the ovens, the reduction of the consumption of clinker obtained by increasing the use of additions for the production of cement, the reduction in energy consumption, and finally, due to the negotiation of better prices for raw materials.

In the US Region the prices improvement continues and in February, given the good levels of inventory and the harsh winter, it was decided to carry out major maintenance activities for the cement plants of Roberta and Harlleyville, which will avoid this type ofshut-downs in spring and summer. This situation called for entering a one-time charge of maintenance in indirect costs.

In the Caribbean Region the operations in Panama and the Caribbean continue showing an encouraging dynamic, borne by higher revenues and a stabilization of the operational costs, which are allowing the regional division to obtain higher profit margins.

During this period, the company sold 2.1 million m3 of concrete, which represented a 4% increase, and 2.6 million metric tons of cement and clinker, thus growing 1%

compared to the same period last year. These volumes generated consolidated accumulated revenues of COP\$ 1,1 trillion (US\$ 611 millions), an increase of 4% in pesos and dollars. Consolidated EBITDA totalized COP\$ 232 thousand million (US\$ 130 million), an increase of 20% in pesos and dollars. EBITDA margin up to 21%, a figure well above the 18.4% reported in the first quarter of 2012.

The net income totalized \$COP 53 thousand millions (US\$29 millions), this number is not comparable to last year, during the first period of 2012, there were disinvestments for COP\$ 193 thousand million as a result of the sale of portfolio investments, a situation that didn't present itself in the first quarter of 2013, which had an effect on the net profit of the exercise.

### **The energy business:**

The organization advanced in the execution of its investment and expansion plan, which amounts to near COP\$ 570 thousand million that will be allocated to the construction of new power generation facilities, to the expansion of the distribution grids of EPSA and CETSA and to increasing the reliability of the existing assets.

Celsia advanced in the execution of project Porvenir II, 352 MW, with the environmental license paperwork, continued social approach in the zone of influence and reaching 70% in the construction of the designs.

Regarding the project Cucuana, EPSA completed 49% of its construction by March 2013 and reached a COP 111 thousand million investment out of COP 212 thousand million estimated.

In the distribution business, EPSA inaugurated its Palmaseca substation, located in the Palmira municipality, with an investment of COP 9 thousand million. This substation will attend the higher industrial demand perceived in this location and will provide reliability to the electric system in benefit of the competitiveness of the Valle del Cauca industry.

The mix in the generation portfolio allowed the organization to reach a total power generation of 1.616 GWh during the period, supplying 10,7% of the electricity produced in the Colombian electric system. Consolidated operating revenues of Celsia S.A. E.S.P., Celsia, increased by 13% YoY to reach COP 589 billion, EBITDA reached COP 211 thousand million in line with first quarter 2012 and EBITDA margin was 35,8%. Net income for the quarter was COP 48 billion.

**Ports Business:**

With regard to the development of the Compas corporate strategy, the operating and trade agreements with the SCC terminals of Cementos Argos in Houston, United States and Bahia las Minas in Panamá are noteworthy in the first quarter. They mark an important step in the internationalization of port organization and become a reference in the origin and destination of the most important infrastructure projects in the country.

Similarly, the beginning of the adaptation of the Compas Terminal in Tolu is worth noting. It was granted the authorization as customs warehouse and international logistics storage facility in March by the DIAN. With an investment of approximately 12 million dollars in this first stage, this port will become an important development hub in its area of influence as well as an excellent alternative for foreign trade activities.

Furthermore, Compas, in its strategic joint venture with Abocol and the Chilean organization SAAM, began trade operations at the Buenavista Port in the Cartagena harbor. According to the development of the port facility the adoption of a partial plan is being processed with the competent authorities; it will enable the development of an important area designed for logistics activities in an extension of 40 hectares that will be attached to this public service port company in the second semester of 2013.

Finally, the condition of public status port granted by Cormagdalena to the Compas Terminal is worth noting; it will allow users of the port sector to have an environmentally friendly alternative for mineral exports, depth conditions and infrastructure that will be highly competitive in the area.

Compas income for the first quarter of 2013 totalized \$ 23 billion, decreasing 6% compared to the same period of 2012. EBITDA without the infrastructure leasing, which is more a financial operation, reached 7.212 million a decrease of 6% compared to the same period last year. This decrease is mainly generated by the decrease in the number of motorboats received, which passed from 159 in 2012 to 141 in 2013, this as a result of the decline in exports, the lower trend in the movement of containers for Compas is no different from the national average where there is a flat performance for Exports.

**Real Estate Business:**

Grupo Argos' real estate business now has a new name and a new brand; it has changed from Urvisa to Situm. The internal launch of the brand has already taken place and has been circulated in different media and events. The two lines of the business are reaffirmed in Situm: land development and property leaseback.

Situm has been making agile progress in filing the Urban General Plan (PUG acronym in Spanish) for the Riomar Mater Plan. This urban tool has the purpose of granting the license to 250 hectares to the north of Barranquilla in order to ensure the regulations and current land uses. To date, three of the four stages needed for the approval of the PUG have been accomplished.

In 2013 revenues related to the property business are expected. In 2013 the amount of COP\$ 8.000 million in rentals was budgeted.

Situm revenues in the first quarter totalized COP \$ 4,571 million, increasing by 34% compared to the same period last year. The EBITDA was COP \$ - 3.439 million compared to COP \$ 916 million in the first quarter of 2012. This decrease is mainly caused by the expenses incurred to pay property taxes and some expenses related to the spin-off process. The quarter is not representative for Situm due to the fact that it is formalizing the spin-off process, which has limited business formalization and closed. However, the dynamics in terms of urbanism continues with a positive trend.

**Coal Business:**

Being conscious of the prices and conditions in the international coal markets, Sator continues the strategic exercise that would permit to define the company future, including new business and projects that are line with Grupo Argos vision.

**Portfolio Investment of Grupo Argos at March 31 2013:**

<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>	6.079.618	3.318	8.700
<b><u>ENERGY</u></b>				
Celsia	<b>50,2%</b>	2.021.889	1.104	5.600
EPSA**	<b>11,9%</b>	376.990	206	9.165
<b><u>OTHER</u></b>				
Grupo Suramericana	<b>29,2%</b>	5.342.959	2.916	39.000
Grupo Suramericana (P)	<b>9,7%</b>	404.183	221	39.200
Bancolombia	<b>2,5%</b>	365.816	200	28.800
Grupo Nutresa	<b>9,8%</b>	1.176.338	642	26.000
<b>Total</b>		<b>15.767.793</b>	<b>8.606</b>	

\* Price at March 31, 2013

\*\* EPSA price is the initial acquisition price

\*\*\* Exchange rate at March 31, 2013: COP\$1,832 / 1 US\$

*We will have a conference call to discuss these results this Tuesday April 10th at 7:30a.m. Colombia time, at which we shall be discussing our 1Q2013 results.*

## **Conference ID: 57.595.447**

*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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### **CONTACT INFORMATION:**

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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-13	mar-12	Var. (%)
<b>Operating revenues</b>	<b>150.870</b>	<b>252.799</b>	<b>-40,3</b>
<i>US\$ dollars</i>	<b>84</b>	<b>142,28</b>	<b>-41,3</b>
Dividends and participations	82.609	46.167	78,9
Revenues via equity method	66.088	206.632	-68,0
Revenue from sales of investments	0	0	0,0
Real Estate Business	2.173	0	na
<b>Gross profit</b>	<b>150.870</b>	<b>252.799</b>	<b>-40,3</b>
<i>Gross margin</i>	<i>100,0%</i>	<i>100,0%</i>	
<b>Operating expense</b>	<b>16.193</b>	<b>8.043</b>	<b>101,3</b>
Expense via equity method	2.122	0	100,0
Administrative expense	12.155	1.748	595,4
Provisions for investments	1.398	5.798	-75,9
Depreciation and amortization	518	497	4,2
<b>Operating profit</b>	<b>134.677</b>	<b>244.756</b>	<b>-45,0</b>
<i>Operating margin</i>	<i>89,3%</i>	<i>96,8%</i>	
<b>EBITDA</b>	<b>135.195</b>	<b>245.253</b>	<b>-44,9</b>
<i>US\$ dollars</i>	<b>75</b>	<b>138,04</b>	<b>-45,8</b>
<i>EBITDA margin</i>	<i>89,6%</i>	<i>97,0%</i>	
<b>Non-operating revenues</b>	<b>7.678</b>	<b>155</b>	<b>4853,5</b>
Financial	1.710	98	1644,9
Other income	5.968	57	10370,2
<b>Non-operating expense</b>	<b>23.791</b>	<b>19.914</b>	<b>19,5</b>
Financial	18.702	19.243	-2,8
Retirement pensions	197	205	-3,9
Other expense	4.892	466	949,8
(loss) profit exchange rate	(2.240)	(1.939)	na
<b>Pre-tax earnings</b>	<b>116.324</b>	<b>223.058</b>	<b>-47,9</b>
Provision for income tax	1.563	217	620,3
<b>Net income</b>	<b>114.761</b>	<b>222.841</b>	<b>-48,5</b>
<i>US\$ dollars</i>	<b>63</b>	<b>125</b>	<b>-49,5</b>
<i>Net margin</i>	<i>76,1%</i>	<i>88,1%</i>	

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

	mar-13	dic-12	Var. (%)
Cash and equivalents	111.820	554.261	-79,8
Accounts receivable	340.931	90.057	278,6
Inventories	76.934	75.111	2,4
Diferidos	655	900	-27,2
<b>CURRENT ASSETS</b>	<b>530.340</b>	<b>720.329</b>	<b>-26,4</b>
Permanent investments	7.702.413	7.745.161	-0,6
Deudores	32.737	47.143	-30,6
Inventories	515	332	55,1
Intangibles and deferred items	26.655	27.129	-1,7
Property, plant and equipment, net appraisals	61.320	60.983	0,6
Other assets	7.687.327	7.540.582	1,9
	512	512	0,0
<b>NON-CURRENT ASSETS</b>	<b>15.511.479</b>	<b>15.421.842</b>	<b>0,6</b>
<b>TOTAL ASSETS</b>	<b>16.041.819</b>	<b>16.142.171</b>	<b>-0,6</b>
<b>US\$ dollars</b>	<b>8.755</b>	<b>9.129</b>	<b>-4,1</b>
Financial obligations	231.773	601.271	-61,5
Commercial Papers	200.000	200.000	0,0
Suppliers and accounts payable	71.786	84.590	-15,1
Dividends payable	183.528	44.266	314,6
Taxes and rates	5.266	5.587	-5,7
Labor liabilities	1.519	1.007	50,8
Other liabilities	27.473	23.338	17,7
<b>CURRENT LIABILITIES</b>	<b>721.345</b>	<b>960.059</b>	<b>-24,9</b>
Financial obligations	300.109	300.109	0,0
Convertible bonds	702.316	749.248	-6,3
Taxes and rates	953	953	0,0
Labor liabilities	3.328	3.595	-7,4
Other liabilities	67.816	67.816	0,0
<b>NON-CURRENT LIABILITIES</b>	<b>1.074.522</b>	<b>1.121.721</b>	<b>-4,2</b>
<b>TOTAL LIABILITIES</b>	<b>1.795.867</b>	<b>2.081.780</b>	<b>-13,7</b>
<b>US\$ dollars</b>	<b>980</b>	<b>1.177</b>	<b>-16,7</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>14.245.952</b>	<b>14.060.391</b>	<b>1,3</b>
<b>US\$ dollars</b>	<b>7.775</b>	<b>7.952</b>	<b>-2,2</b>
<b>TOTAL LIABILITIES + SHAREHOLDERS' EQUITY</b>	<b>16.041.819</b>	<b>16.142.171</b>	<b>-0,6</b>

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

	mar-13	mar-12	Var. (%)
<b>Operating revenues</b>	<b>1.782.427</b>	<b>1.620.931</b>	<b>10,0</b>
<i>US\$ dollars</i>	<b>995</b>	<b>902</b>	<b>10,3</b>
<b>Variable costs</b>	<b>1.241.531</b>	<b>1.153.645</b>	<b>7,6</b>
Cost of goods sold	1.132.476	1.042.816	8,6
Depreciation and amortization	109.055	110.829	-1,6
<b>Gross Profit</b>	<b>540.896</b>	<b>467.286</b>	<b>15,8</b>
<i>Gross margin</i>	<i>30,3%</i>	<i>28,8%</i>	
<b>Overheads</b>	<b>153.265</b>	<b>151.158</b>	<b>1,4</b>
Administrative expense	98.265	96.567	1,8
Selling expense	35.033	33.584	4,3
Depreciation and amortization	19.967	21.007	-5,0
<b>Operating Profit</b>	<b>387.631</b>	<b>316.128</b>	<b>22,6</b>
<i>Operating margin</i>	<i>21,7%</i>	<i>19,5%</i>	
<b>EBITDA</b>	<b>516.653</b>	<b>447.964</b>	<b>15,3</b>
<i>US\$ dollars</i>	<b>288</b>	<b>250</b>	<b>15,4</b>
<i>EBITDA margin</i>	<i>29,0%</i>	<i>27,6%</i>	
<b>Non-operating revenues</b>	<b>72.447</b>	<b>278.021</b>	<b>-73,9</b>
Dividends and stakes	33.313	32.481	2,6
Profits from sales of investments	30	147.085	
Other income	39.104	98.455	-100,0
<b>Non-operating expense</b>	<b>176.248</b>	<b>195.533</b>	<b>-9,9</b>
Net financial expense	86.827	95.254	-8,8
Other expense	89.421	100.279	-10,8
Exchange difference	-13.519	33.060	-140,9
<b>Pre-tax earnings</b>	<b>270.311</b>	<b>431.676</b>	<b>-37,4</b>
Provision for taxes	88.403	45.185	95,6
Minority interest	67.147	163.650	-59,0
<b>Net income</b>	<b>114.761</b>	<b>222.841</b>	<b>-48,5</b>
<i>US\$ dollars</i>	<b>63</b>	<b>125</b>	<b>-49,5</b>
<i>Net margin</i>	<i>6,4%</i>	<i>13,7%</i>	



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

	mar-13	dic-12	Var. (%)
Cash and equivalents	1.078.201	1.468.055	-26,6
Trade receivables	831.500	736.089	13,0
Accounts receivable, net	569.793	418.962	36,0
Inventories	511.227	467.056	9,5
Prepaid expenses	53.023	56.230	-5,7
<b>CURRENT ASSETS</b>	<b>3.043.744</b>	<b>3.146.392</b>	<b>-3,3</b>
Permanent investments	1.043.979	1.043.257	0,1
Accounts receivable	47.517	85.878	-44,7
Inventories	88.964	86.432	2,9
Deferred items and intangibles	1.984.503	1.918.447	3,4
Property, plant and equipment, net	7.176.341	7.172.640	0,1
Appraisals	13.485.102	13.325.550	1,2
Other assets	15.516	21.238	-26,9
<b>NON-CURRENT ASSETS</b>	<b>23.841.922</b>	<b>23.653.442</b>	<b>0,8</b>
<b>TOTAL ASSETS</b>	<b>26.885.666</b>	<b>26.799.834</b>	<b>0,3</b>
<b>US\$ dollars</b>	<b>14.674</b>	<b>15.156</b>	<b>-3,2</b>
Financial obligations	1.093.455	1.409.261	-22,4
Bonds outstanding	86.088	87.091	-1,2
Commercial Paper	200.000	200.000	0,0
Suppliers and accounts payable	703.052	747.704	-6,0
Dividends payable	357.054	80.226	345,1
Taxes and rates	145.275	183.836	-21,0
Labor liabilities	68.976	66.223	4,2
Sundry creditors	26.200	25.286	3,6
Other liabilities	904.358	824.405	9,7
<b>CURRENT LIABILITIES</b>	<b>3.584.458</b>	<b>3.624.032</b>	<b>-1,1</b>
Financial obligations	1.746.541	1.685.905	3,6
Taxes and rates	47.082	46.923	0,3
Labor liabilities	339.715	340.072	-0,1
Deferred items	97.367	95.751	1,7
Bonds outstanding	3.241.114	3.288.046	-1,4
Bond placement premium	-7.800	-8.210	-5,0
Sundry creditors	78.601	75.857	3,6
<b>NON-CURRENT LIABILITIES</b>	<b>5.542.620</b>	<b>5.524.344</b>	<b>0,3</b>
<b>TOTAL LIABILITIES</b>	<b>9.127.078</b>	<b>9.148.376</b>	<b>-0,2</b>
<b>US\$ dollars</b>	<b>4.982</b>	<b>5.174</b>	<b>-3,7</b>
<b>Minority interest</b>	<b>4.790.967</b>	<b>4.870.120</b>	<b>-1,6</b>
<b>US\$ dollars</b>	<b>2.615</b>	<b>2.754</b>	<b>-5,1</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>12.967.621</b>	<b>12.781.338</b>	<b>1,5</b>
<b>US\$ dollars</b>	<b>7.077</b>	<b>7.228</b>	<b>-2,1</b>
<b>TOTAL LIABILITIES + SHAREHOLDERS' EQUITY</b>	<b>26.885.666</b>	<b>26.799.834</b>	<b>0,3</b>