

## GRUPO ARGOS

### September 30, 2012 3Q Report

BVC: INVARGOS, PFINVRAGOS

#### EXECUTIVE SUMMARY

- For the first nine months of 2012, revenues for consolidated Grupo Argos up to COP\$ 5.0 billion pesos (US\$ 2.8 billion), an increase of 20% in pesos and 22% in dollars from the same period in 2011.
- Consolidated EBITDA totaled COP\$ 1.3 billion (US\$ 721 million) an increase of 5% in pesos or 7% in dollars. EBITDA margin stood at 26% compared to 30% in 2011. It's important to highlight that the decrease in EBITDA is due to a lower Non-Consolidated Grupo Argos divestitures in 2012. In a holding these divestitures are consolidated as operational revenue.  
In the 2012, the company has divested COP\$ 44 thousand million of Grupo Sura preferred shares and COP \$ 60 thousand million of Cementos Argos for a total of COP\$ 104 thousand million. In 2011 the divestitures totaled COP\$ 222 thousand million.
- Consolidated net income up to COP\$ 410 thousand million (US\$ 230 million), an increase of 198% in pesos and 207% in dollars in comparison to 2011. The increase in comparison to 2011 is generated due to the sales of Grupo Suramericana shares between Cementos Argos and Grupo Argos for COP\$ 573 thousand million, which produced that the net income totaled COP\$ 138 thousand millions in 2011 against COP\$ 410 thousand millions as to September 2012.
- On a consolidated basis at the end of September of 2012, assets increased to 24.5 billion pesos (US\$ 13 billion), increasing 3% in pesos compared with December 2011, in dollars the assets increase in 4%. In this same period,

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liabilities totalized COP\$ 8,6 billion. Shareholders 'equity increased to 17% in pesos to COP\$ 11,2 billion (US\$ 6 billion), an increase of 27% in dollars.

- In the non-consolidated income statement Grupo Argos highlight an increase in revenues of 22% to COP\$ 558 thousand million, the net income up to COP\$ 410 thousand million (US\$ 230 million) an increase of 198% in pesos and 207% in dollars.
- In Grupo Argos non-consolidated balance sheet, the assets increased to 14 billion pesos, increasing 17% in pesos or 26% in dollars compared with December 2011. In this same period, liabilities increased 10% in pesos, totaling COP\$ 1.5 billion. Shareholders 'equity increased to COP\$ 12,5 billion an increase of 18% in pesos and 27% in dollars.

## **3T2012 Results**

The year 2012 keeps presenting a satisfactory balance for Grupo Argos, the positive results of its strategic sector; cement and energy continue to show increasing results in their markets.

After finished the spin-off process with Cementos Argos, Grupo Argos is developing different strategies in order to become an important player in the Port, Real Estate and Coal businesses.

In September as a plan for manage the debt profile, Grupo Argos placed COP\$ 200 thousand millions of commercial papers, the rate of this paper was 5,95%. The resources of this issuance were used in replacement of financial liabilities, which had higher interest rates.

Continuing with the financial structuring plan, some weeks ago Grupo Argos announced the issuance of convertible bonds.

These bonds shall be set in series from 2 to 5 years and are mandatorily convertible into preferred Grupo Argos shares at any time following five (5) business days from the subscription date, at the holder's option; if said discretionary

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conversion is not performed by the holder, the BOCEAS shall be mandatorily converted upon their expiration.

As long as they are not converted, the Convertible Bond shall pay their holders a constant coupon rate over their nominal value.

For the issuance of the convertible bonds, Grupo Argos in an extraordinary Assembly of Shareholders in 19th of October approved a partial amendment to the Corporate Bylaws creating the statutory reserves in order to generate the necessary conditions of Convertibles Bonds for a value up to COP\$ 750 thousand millions.

As a consequence of the convertible bonds issuance Grupo Argos will increase the equity capacity generating flexibility in the investment opportunities, will strengthen the capital structure, will diversify funding sources, in the future will increase the floating of the share with preferential dividend and without voting rights, improving its liquidity and will mitigate the impact on the market share price with preferential dividend and no voting rights, creating a mechanism where the increased of shares in the market resulting from the conversion of the bonds is gradual and spread over to 2 to 5 years.

After the Assembly approval, Grupo Argos administration initiated the preliminary promotion process with potential investors and as provided by law, In coming days will published the notice of public offering.

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## Business Results

### The Cement business:

During the third quarter Cementos Argos saw continuity in the growth dynamics and market trends seen during the first semester of the year. In Colombia, we continue to see a market with high volumes, especially in the ready-mix concrete business which is recording historic highs for the division, sustained on robust macroeconomic fundamentals. Medium and long-term infrastructure projects, both public and private, seem reassuring. Cement sales recorded in the last weeks, as well as the unprecedented concrete volumes demanded by large infrastructure projects, maintain a greatly dynamic market.

In the United States, we continue to see healing indicators. In the construction sector, we see substantial improvements in the second half of the year; according to the Department of Commerce of the United States, in September of 2012 housing permits increased up to 894 thousand units and the percentage of new housing units increased by 15% to 872 thousand annualized units; both figures are the highest since July of 2008.

In the Caribbean region we share the market optimism, watching positively new interesting trends, such as Panama's current levels of housing credits approval and mortgage conditions, the best ever recorded in the history of that country. This market dynamism, which could likely bring within a demographic transition and structural transformation to the Panama economy, complements interestingly the already advanced expansion of the Panama Canal toward further economic development of the Caribbean region.

Another relevant highlight worth highlighting of this quarter is the board of directors' approval of the expansion Project in the central zone of Colombia. This investment of COP\$ 167 thousand million (US\$ 93 million), will increase in about 15% current cement sales in the country, while being strategically located at competitive distance from Colombia's largest cement-consuming cities.

During the first nine months Cementos Argos sale 8,2 million tons of cement and 6,4 million cubic meters of ready-mix concrete, with this amount of sales Cementos Argos EBITDA up to COP\$ 605 thousand million with an increase of 25% in comparison to the same period in 2011. The EBITDA margin stood at 18%.

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## **The energy business:**

Up to September, capital expenditures amounted to near COP 117 billion in projects as Hidromontañas, which became operational in May, and Alto, Bajo Tulúa, Cucuana and projects to maintain and increase the reliability of the distribution side.

Regarding the investment and expansion plan and the development of projects undertaken, the final designs stage, for the project San Andrés (19,9) MW), concluded and technical requirements for the construction were specified, and it is foreseen, in October, the beginning of the corresponding paperwork for the modifying of the environmental license with the competent regulatory body, in order to incorporate changes originated in the development of the final designs. On the other side, advance has been made in the construction of the final designs and the technical specifications of our biggest project on the pipeline: Porvenir II (352 MW) in order to begin construction of basic infrastructure of the project in 2013; as for the licensing process, a commission of the ANLA (National Environmental Licensing Authority) visited the project and its influence zone.

Another important point to highlight is that Celsia was accepted by the United Nations as a member of the Global Compact. Consequently the company joins the biggest sustainability and development voluntary initiative, in which more than 8.000 organizations from 135 countries participate.

As a new member of the Global Pact, Celsia adopts the commitment to the alignment of its strategies and actions with internationally accepted principles in four main topics: human rights, labor standards, environment best practices and fight against corruption.

Celsia reached a total power generation of 3,794 GWh during the period, supplying 8% of the electricity produced in the Colombian electric system. Consolidated operating revenues of Celsia S.A. E.S.P., Celsia, increased by 12% 2012 to reach COP 1,5 billion and EBITDA increased 8%, reaching COP 571 thousand millions and EBITDA margin was 38%.

## **Ports Business:**

The port business is currently awaiting the approval by the Superintendencia de Puertos y Transporte for the merge between Muelles el Bosque Cartagena ports and Grupo Argos ports assets in Buenaventura, Barranquilla and Tolú.

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It is important to note that in Colombia most of the ports are working near full capacity and there are already some free commercial agreement signed. These show the future and increase in the ports demand. The new company will be the only one with ports in both oceans and it will have the capability to move all types of cargo.

This new company will capitalize the good momentum of the economy and the beginning of the free trades agreement due to the fact that it has a solid financial position, the capability to absorb operative synergies of the merge with Muelles el Bosque who has knowledge of the business and a very experienced administration.

Currently we are analyzing the different business plan and the capex that this new company will required, when the merge is approved a more detail business plan will be release.

## **Real Estate Business:**

As part of its strategic growth business, Grupo Argos real estate business announces the entrance in the property rental business in a partnership with Grupo Exito to develop Viva Villavicencio a shopping center

In this project Exito Group has the role of promoter, developer, manager and investor with a 51% stake. Argos Group participates as an investor with 49%.

The total investment for the development of the project named Viva Villavicencio, the first to be jointly developed by the companies, will be approximately 213 billion Colombian pesos.

The Viva Villavicencio Shopping Mall will offer approximately 159 shops and 1,569 parking spaces. It will be launched in the second semester of 2014, at the location where La Sabana Shopping Center currently operates.

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## Portfolio Investment of Grupo Argos at September 30 2012:

<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>	5.464.668	3.035	7.820
<b><u>ENERGY</u></b>				
Colinversiones	<b>50,2%</b>	1.796.232	998	4.975
EPSA**	<b>11,9%</b>	376.990	209	9.165
<b><u>OTHER</u></b>				
Grupo Suramericana	<b>29,2%</b>	4.169.335	2.316	30.440
Grupo Suramericana (P)	<b>9,8%</b>	345.827	192	33.300
Bancolombia	<b>2,5%</b>	335.332	186	26.400
Grupo Nutresa	<b>9,8%</b>	951.024	528	21.020
<b>Total</b>		<b>13.439.408</b>	<b>7.464</b>	

\* Price at September 30, 2012

\*\* EPSA price is the initial acquisition price

\*\*\* Exchange rate at September 30, 2012: COP\$1,800 / 1 US\$



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*We will have a conference call to discuss these results this Thursday October 25th at 8:00a.m. Colombia time, at which we shall be discussing our 3Q2012 results.*

## **Conference ID: 49.655.021**

*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 Communications / Presentations*

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### **CONTACT INFORMATION:**

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

	sep-12	sep-11	Var. (%)
<b>Operating revenues</b>	<b>558.265</b>	<b>346.198</b>	<b>61,3</b>
<i>US\$ dollars</i>	<b>313</b>	<b>190</b>	<b>64,3</b>
Dividends and participations	75.978	26.010	192,1
Revenues via equity method	377.662	98.476	283,5
Revenue from sales of investments	104.536	221.712	-52,9
Investment appraisals	89	0	na
<b>Cost of selling off investments</b>	<b>49.482</b>	<b>29.094</b>	<b>70,1</b>
Cost of selling off investments	49.482	29.094	70,1
<b>Gross profit</b>	<b>508.783</b>	<b>317.104</b>	<b>60,4</b>
<i>Gross margin</i>	<i>91,1%</i>	<i>91,6%</i>	
<b>Operating expense</b>	<b>33.309</b>	<b>153.757</b>	<b>-78,3</b>
Expense via equity method	11.365	143.542	-92,1
Administrative expense	14.374	7.681	87,1
Provisions for investments	6.073	1.029	490,2
Depreciation and amortization	1.497	1.505	-0,5
<b>Operating profit</b>	<b>475.474</b>	<b>163.347</b>	<b>191,1</b>
<i>Operating margin</i>	<i>85,2%</i>	<i>47,2%</i>	
<b>EBITDA</b>	<b>476.971</b>	<b>164.852</b>	<b>189,3</b>
<i>US\$ dollars</i>	<b>268</b>	<b>90</b>	<b>197,6</b>
<i>EBITDA margin</i>	<i>85,4%</i>	<i>47,6%</i>	
<b>Non-operating revenues</b>	<b>6.299</b>	<b>4.914</b>	<b>28,2</b>
Financial	857	2.161	-60,3
Other income	5.442	2.753	97,7
<b>Non-operating expense</b>	<b>65.734</b>	<b>29.193</b>	<b>125,2</b>
Financial	60.378	26.650	126,6
Retirement pensions	703	546	28,8
Other expense	4.653	1.997	133,0
(loss) profit exchange rate	(4.571)	(352)	na
<b>Pre-tax earnings</b>	<b>411.468</b>	<b>138.716</b>	<b>196,6</b>
Provision for income tax	1.208	837	44,3
<b>Net income</b>	<b>410.260</b>	<b>137.879</b>	<b>197,6</b>
<i>US\$ dollars</i>	<b>230</b>	<b>75</b>	<b>206,5</b>
<i>Net margin</i>	<i>73,5%</i>	<i>39,8%</i>	

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

	sep-12	dec-11	Var. (%)
Cash and equivalents	14.022	6.609	112,2
Accounts receivable	167.480	56.921	194,2
Inventories	57.974	0	N/A
Diferidos	208	0	N/A
<b>CURRENT ASSETS</b>	<b>239.684</b>	<b>63.530</b>	<b>277,3</b>
Permanent investments	7.423.496	10.849.137	-31,6
Deudores	34.252	238	14.291,6
Inventories	3.129	0	
Intangibles and deferred items	26.088	29.572	-11,8
Property, plant and equipment, net appraisals	43.447	2.156	1.915,2
Other assets	6.231.752	1.060.110	487,8
	512	512	0,0
<b>NON-CURRENT ASSETS</b>	<b>13.762.676</b>	<b>11.941.725</b>	<b>15,2</b>
<b>TOTAL ASSETS</b>	<b>14.002.360</b>	<b>12.005.255</b>	<b>16,6</b>
<b>US\$ dollars</b>	<b>7.777</b>	<b>6.180</b>	<b>25,8</b>
Financial obligations	761.982	984.668	-22,6
Commercial Papers	200.000	0	N/A
Suppliers and accounts payable	36.979	22.609	63,6
Dividends payable	85.644	34.986	144,8
Taxes and rates	0	2.012	-100,0
Labor liabilities	986	776	27,1
Other liabilities	92.158	6.276	1.368,4
<b>CURRENT LIABILITIES</b>	<b>1.177.749</b>	<b>1.051.327</b>	<b>12,0</b>
Financial obligations	300.109	296.109	1,4
Taxes and rates	1.905	1.905	N/A
Labor liabilities	3.319	3.163	4,9
<b>NON-CURRENT LIABILITIES</b>	<b>305.333</b>	<b>301.177</b>	<b>1,4</b>
<b>TOTAL LIABILITIES</b>	<b>1.483.082</b>	<b>1.352.504</b>	<b>9,7</b>
<b>US\$ dollars</b>	<b>824</b>	<b>696</b>	<b>18,3</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>12.519.278</b>	<b>10.652.751</b>	<b>17,5</b>
<b>US\$ dollars</b>	<b>6.953</b>	<b>5.483</b>	<b>26,8</b>
<b>TOTAL LIABILITIES + SHAREHOLDERS' EQUITY</b>	<b>14.002.360</b>	<b>12.005.255</b>	<b>16,6</b>

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

	sep-12	sep-11	Var. (%)
<b>Operating revenues</b>	<b>4.978.612</b>	<b>4.131.834</b>	<b>20,5</b>
<i>US\$ dollars</i>	<i>2.775</i>	<i>2.268</i>	<i>22,3</i>
<b>Variable costs</b>	<b>3.619.464</b>	<b>2.882.946</b>	<b>25,5</b>
Cost of goods sold	3.287.940	2.611.290	25,9
Depreciation and amortization	331.524	271.656	22,0
<b>Gross Profit</b>	<b>1.359.148</b>	<b>1.248.888</b>	<b>8,8</b>
<i>Gross margin</i>	<i>27,3%</i>	<i>30,2%</i>	
<b>Overheads</b>	<b>452.545</b>	<b>360.814</b>	<b>25,4</b>
Administrative expense	299.605	220.432	35,9
Selling expense	98.576	71.729	37,4
Depreciation and amortization	54.364	68.653	-20,8
<b>Operating Profit</b>	<b>906.603</b>	<b>888.074</b>	<b>2,1</b>
<i>Operating margin</i>	<i>18,2%</i>	<i>21,5%</i>	
<b>EBITDA</b>	<b>1.292.491</b>	<b>1.228.383</b>	<b>5,2</b>
<i>US\$ dollars</i>	<i>721</i>	<i>674</i>	<i>6,9</i>
<i>EBITDA margin</i>	<i>26,0%</i>	<i>29,7%</i>	
<b>Non-operating revenues</b>	<b>406.158</b>	<b>293.841</b>	<b>38,2</b>
Dividends and stakes	42.680	78.040	-45,3
Profits (losses) from sales of investments	231.465	116.579	98,5
Other income	132.013	99.222	33,0
<b>Non-operating expense</b>	<b>483.455</b>	<b>740.075</b>	<b>6,4</b>
Net financial expense	293.543	220.696	32,2
Losses on sales of fixed assets	779	9.413	-105,1
Other expense	189.133	509.966	-10,0
Exchange difference	20.289	(8.548)	-337,4
<b>Pre-tax earnings</b>	<b>849.595</b>	<b>366.957</b>	<b>131,5</b>
Provision for taxes	102.583	167.039	-38,6
Minority interest	336.752	62.039	442,8
<b>Net income</b>	<b>410.260</b>	<b>137.879</b>	<b>197,6</b>
<i>US\$ dollars</i>	<i>230</i>	<i>75</i>	<i>206,5</i>
<i>Net margin</i>	<i>8,2%</i>	<i>3,3%</i>	

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

	sep-12	dic-11	Var. (%)
Cash and equivalents	879.001	982.571	-10,5
Trade receivables	780.630	816.392	-4,4
Accounts receivable, net	557.739	381.072	46,4
Inventories	470.084	397.514	18,3
Prepaid expenses	69.145	42.048	64,4
<b>CURRENT ASSETS</b>	<b>2.756.599</b>	<b>2.619.597</b>	<b>5,2</b>
Permanent investments	1.020.280	1.081.237	-5,6
Accounts receivable	117.471	56.726	107,1
Inventories	87.795	76.725	14,4
Deferred items and intangibles	1.863.025	2.017.243	-7,6
Property, plant and equipment, net	7.138.731	7.370.482	-3,1
Appraisals	11.578.322	12.143.890	-4,7
Other assets	15.846	28.214	-43,8
<b>NON-CURRENT ASSETS</b>	<b>21.821.470</b>	<b>22.774.517</b>	<b>-4,2</b>
<b>TOTAL ASSETS</b>	<b>24.578.069</b>	<b>25.394.114</b>	<b>-3,2</b>
<b>US\$ dollars</b>	<b>13.651</b>	<b>13.072</b>	<b>4,4</b>
Financial obligations	1.383.608	2.352.804	-41,2
Bonds outstanding	90.025	234.640	-61,6
Commercial Paper	200.000	199.030	0,5
Suppliers and accounts payable	642.184	837.258	-23,3
Dividends payable	145.861	67.613	115,7
Taxes and rates	55.267	198.439	-72,1
Labor liabilities	59.505	96.275	-38,2
Sundry creditors	34.605	61.684	-43,9
Other liabilities	998.871	585.723	70,5
<b>CURRENT LIABILITIES</b>	<b>3.609.926</b>	<b>4.633.466</b>	<b>-22,1</b>
Financial obligations	1.781.217	2.170.285	-17,9
Taxes and rates	77.276	93.080	-17,0
Labor liabilities	327.798	333.959	-1,8
Deferred items	134.650	136.177	-1,1
Bonds outstanding	2.615.998	1.615.998	61,9
Bond placement premium	-8.621	-9.852	-12,5
Sundry creditors	77.242	111.122	-30,5
<b>NON-CURRENT LIABILITIES</b>	<b>5.005.560</b>	<b>4.450.769</b>	<b>12,5</b>
<b>TOTAL LIABILITIES</b>	<b>8.615.486</b>	<b>9.084.235</b>	<b>-5,2</b>
<b>US\$ dollars</b>	<b>4.785</b>	<b>4.676</b>	<b>2,3</b>
Minority interest	4.731.803	6.744.120	-29,8
<b>US\$ dollars</b>	<b>2.628</b>	<b>3.472</b>	<b>-24,3</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>11.230.780</b>	<b>9.565.759</b>	<b>17,4</b>
<b>US\$ dollars</b>	<b>6.238</b>	<b>4.924</b>	<b>26,7</b>
<b>TOTAL LIABILITIES + SHAREHOLDERS' EQUITY</b>	<b>24.578.069</b>	<b>25.394.114</b>	<b>-3,2</b>