

# GRUPO ARGOS

## Report as at December 31, 2014

BVC: GRUPOARGOS, PFGRUPOARG

### EXECUTIVE SUMMARY

- At the close of Q4 2014, Grupo Argos reports consolidated revenue of COP 8.9 trillion (USD 4,472 million), up 17% in Colombian pesos and 10% in US dollars over 2013 sales.
- The Consolidated EBITDA of Grupo Argos totaled COP 2.1 trillion (USD 1.0 billion), an increase of 9% in Colombian pesos and 2.4% in US dollars. The EBITDA margin was 23%.
- The company's consolidated net profit amounted to COP 381 billion, a 29% increase compared to the same period last year.
- At the close of 2014, consolidated assets were close to COP 33.9 trillion (USD 14 billion), increasing 24% in Colombian pesos compared to December 2013 and decreasing 0.4% in US dollars. During the same period, liabilities totaled COP 13.1 trillion. Equity totaled COP 13.8 trillion (USD 5.7 billion), an increase of 11% in Colombian pesos and a decrease of 10% in US dollars.
- In the 2014 non-consolidated financial statements, Grupo Argos total revenue was COP 694 billion, equivalent to USD 354 million, a 34% increase in Colombian pesos and 28% in US dollars. Excluding the effect of non-recurring operations, revenue was up 18% on the year.
- Accumulated non-consolidated EBITDA reached COP 348 billion. Eliminating the effect of non-recurring operations, EBITDA was up 17% over 2013 reporting at COP 335 billion.
- Net was reported at COP 390 billion, a 32% increase, which does not compare to 2013 profits, due to the effect of non-recurring operations mentioned above. Excluding those, net profit was COP 282 billion, up 27% over figures reported at the close of last year.

- Non-consolidated assets are reported at COP 16.8 trillion (USD 7 billion), representing 9% growth in Colombian pesos and a 12% decrease in US dollars compared to 2013 figures. Liabilities totaled COP 1.7 trillion (USD 738 million), an increase of 1% in Colombian pesos and a 19% decrease in US dollars. Equity amounted to COP 15 trillion (USD 6.3 billion), an increase of 10% in pesos and a decrease of 11% in dollars.

## **4Q2014 RESULTS**

Notable this period is the dynamic operation of Cemento Argos in southeastern United States. On the other hand, in view of the important volume of infrastructure construction works and housing projects to be developed in Colombia in coming years, the organization is advancing in Sogamoso plant expansion, which will contribute an additional production of 2.3 million tons per year, plus additional investments of USD 93 million in the Rioclaro, Nare and Cairo plant, which will increase production by 900,000 metric tons per year.

In the energy business, Celsia announced that it closed the deal to acquire energy assets in Panama and Costa Rica. Consequently, starting in December it brought on 284 employees in these two countries, and the acquired companies began operations under the Celsia brand.

Businesses under development include the announcement of a strategic partnership with Concreto to develop the rental properties business, with the goal of developing one of the leading real estate portfolios in the country and the region. At this time it is carrying out confirmatory due diligence studies, and that process that will extend through the second quarter of 2015.

In keeping with the organization's strategic guidelines, the coal business successfully carried out the divestment process of its underground mines to focus on open pit mining operations in the department of Córdoba in the north of Colombia. The ports business is advancing in the construction of the new Buenaventura terminal, and renovations to the Cartagena, Barranquilla, Tolú and Houston terminals.

## **RESULTS BY BUSINESS**

### **The Cement Business:**

Argos continued showing very positive figures during the last quarter of the year, closing 2014 strongly with outstanding results. During the fourth quarter of 2014, Argos revenue stood at COP 1.6 trillion, a 19% increase over the same quarter in 2013. The EBITDA increased 10% to COP 255 billion, and the EBITDA margin was 16.4%. These achievements were possible thanks to key factors such as the US market recovery and the consolidation of operations in Honduras and French Guyana.

The USA region continues to show very positive results in the states where it operates. In 2014 it reported annual growth in cement consumption of 13.1% compared to the 8.8% on the national level. The last quarter of the year, the organization reported 51% growth in cement shipments compared to the same period in 2013. All this translates into solid financial results, allowing the company to report revenue in the fourth quarter of USD 288 million and EBITDA of 15.8 million, which represents 53% and 176% increases, respectively.

The Caribbean and Central American region continues displaying good dynamics. The use of alternative fuels and reductions in energy costs have considerably improved the EBITDA margin. This region closed 2014 with a 6% increase over last year figures in the volume of cement shipped, while the volume of concrete was down 4%, explained by fewer shipments in Panama due to slow progress in some infrastructure works.

In terms of financing debt, the Company successfully issued COP 600,000 million in bonds in November. The bonds issued have an AA+ rating with a positive outlook from Fitch Ratings, and the resources obtained will be used solely to replace company liabilities.

In total figures, at the close of December 2014 Argos sold 11 million cubic meters of concrete and 12.5 million tons of cement, which translates into growth of 18% and

8% respectively compared to volumes sold in 2013. Thanks to this good performance, the organization recorded record revenues of COP 5.8 trillion Colombian pesos, growing 17% compared to 2013, while EBITDA was up 8%, surpassing one trillion pesos. The EBITDA margin was 18%, while net profit recorded nearly 60% growth, closing at COP 292,000 million pesos.

### **The Energy Business:**

During the last quarter of 2014, Celsia's results were affected by different variables such as: a higher exchange rate, increased fuel costs and higher spending to ensure reliability levels required by the system. Revenue in this period was reported at COP 660 billion, a 5% increase to the Q4 2013 results. EBITDA was COP 152 billion, down 29%. The organization reported an EBITDA margin of 23%.

In its pursuit of international expansion, the purchase of energy generation assets in Panama and Costa Rica was successfully completed on December 2. This acquisition increased the Company's installed capacity by 535 MW and incorporated new generation technologies to Celsia's energy matrix.

With regard to generation, the Bajo Tuluá Power Plant began commercial operations in January, with installed capacity of 19.9 MW, bringing EPSA's installed capacity to 979.4 MW. This plant, which required an investment of nearly COP 152 billion, was certified by the United Nations as a Clean Development Mechanism, which means that it is environmentally friendly. It contributes to the reduction of 41,430 tons of CO<sub>2</sub> emissions annually. In turn, the 55 MW Cucuana Power Plant project is at 97% progress and recorded a total investment to date of COP 290 billion.

In 2014 the organization achieved a new energy generation record, reaching 6,437 GWh and securing a market share of 10% in the National Electrical Grid's total production. Of this electric power generated, 56% was hydroelectric and 44% was thermal. In turn, new operations in Panama and Costa Rica contributed with 105 GWh of generation in December.

Consolidated operating revenue in 2014 increased to COP 2.6 trillion growing 9% compared to last year's consolidated revenue. In turn, consolidated EBITDA at the close of 2014 increased 3%, reaching COP 894 billion with an EBITDA margin of 34.5%.

## **The Real Estate Business:**

The real estate business continued to develop its two lines of business: urban development and rental properties, with good results and important future projects. Q4 2014 revenue totaled COP 19 billion compared to COP 16 billion for the same period in 2013. The EBITDA was COP 2.6 billion with an EBITDA margin of 14%.

In urban development business, the General Urban Planning Project (PUG, for the Spanish original) "Villas de Santa Isabel" and the Urban Planning license were concluded this quarter. This project was structured to be developed in six stages, with a total sellable useful area of 59.24 hectares and a potential to develop over 5,000 housing units, retail establishments, offices and areas for community amenities, both public and private. This approval generates stability in the urban regulation that governs this part of the real estate assets in Barranquilla. The first stage of the urban development's construction is scheduled to start the first quarter of 2016.

With regard to the real estate business, the company announced an agreement with Concreto to develop the real estate strategy together by contributing certain assets that will allow the creation of a portfolio focused on development and operations, with adequate usage and geographical diversification. Each company's equity share in this portfolio will be 50%.

The combination of assets contributed will allow the creation of a portfolio that in its initial stage will operate over 430 thousand m<sup>2</sup>, equal to COP 1.3 trillion. In the next 4 years it will develop 300 thousand m<sup>2</sup> in gross leasable area, which will double the value of the assets being managed, reaching COP 2.6 trillion, and placing it as one of the largest real estate portfolios in the country.

Grupo Argos's contribution to this portfolio corresponds to 32 thousand m<sup>2</sup> of real estate assets in operation, construction projects of COP 122 billion, lands for development of COP 112 billion, and COP 365 billion in cash, which will be disbursed over the next 4 years, according to the portfolio's investment needs.

Total revenue reported for 2014 was near COP 70 billion, which represents a 10% increase compared to 2013 figures. EBITDA was COP 17 billion, down 5% compared to last year's figures. The delay in the deed registration of lots due to tributary

inefficiencies was the main cause of this indicator's reduction, but reactivation is expected in Q1 2015.

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:**

During the fourth quarter of the year the port business again showed outstanding results thanks to effective cost-control measures implemented and exogenous variables such as the exchange rate in Colombia. Q4 revenue was up 29% at COP 37 billion, while the EBITDA was reported at COP 13 billion, 70% higher than the same period in 2013.

With regard to the works at the new Aguadulce terminal in Buenaventura, completion of the 21 kilometer road that will connect the new terminal with the Cali-Buenaventura Highway is was a significant accomplishment. Similarly, the company began works on internal earth-moving, containments, main and internal road construction, storage yards, construction of the gangway and docking positions. Moreover, the contracts have already been awarded for construction compliance supervisory, the electrical design and mechanization for handling grains and coal. The works at the Aguadulce port are expected to be completed by 2016.

Work continues at the Barranquilla terminal on the 400 linear meters of pier, which will enable two additional docking positions and improve the service to liquid bulk cargo and project cargo. These projects are expected to be completed by the second quarter of 2015.

Compas operating revenue at the close of 2014 exceeded COP 127 billion, growing 24% with respect to the same period in 2013. In turn, the cumulative EBITDA (without the leasing of infrastructure, which is considered financing) reached COP 39 billion and grew 46% compared to 2013. It is important to consider that 90% of the revenue

and 15% of Compas's costs are in dollars, so the recent depreciation of the Colombian peso has had a positive effect for the company.

**Coal Business:**

During the last quarter of the year, Sator showed very positive results, demonstrating a successful restructuring process, which is in progress. Revenue for the period was COP 35 billion, and the EBITDA was the highest this year at COP 2,500 million.

Continuing to execute its strategic plan, in December Sator closed the deal to sell its Amagá operation. This transaction marks the end of the underground mining divestment process.

Total 2014 revenue, reported at COP 82,783 million, was up 6% compared to the 2013 figures. EBITDA was COP 2,819 million, compared to COP 11,488 million in 2013. These results demonstrate that the strategy adopted has been successful and provide self-sustainability for the company.

**Grupo Argos portfolio as at December 31, 2014:**

<b>Compañía</b>	<b>Participación</b>	<b>Valor (COP\$ millones)</b>	<b>Valor (US\$ millones)***</b>	<b>Precio por Acción (COP)*</b>
<b><u>CEMENTO</u></b>				
Cementos Argos	<b>60,7%</b>	7.127.828	2.980	10.200
<b><u>ENERGÍA</u></b>				
Celsia	<b>52,4%</b>	2.211.400	924	5.870
EPSA**	<b>11,9%</b>	370.210	155	9.000
<b><u>OTROS</u></b>				
Grupo Suramericana	<b>29,3%</b>	5.499.958	2.299	40.000
Grupo Suramericana (P)	<b>2,4%</b>	99.509	42	39.500
Bancolombia	<b>2,5%</b>	351.082	147	27.640
Grupo Nutresa	<b>9,8%</b>	1.293.972	541	28.600
<b>Total</b>		<b>16.953.958</b>	<b>7.088</b>	

\* Closing price as at December 31, 2014

\*\* Price per EPSA share is the amount of sale

\*\*\* Based on the Representative Market Exchange Rate as at December 30, 2014: COP 2,392 / 1 USD

We will have a conference call to discuss Q4 2014 results on Tuesday, March 3rd at 8:00 a.m., Colombia time.

**Conference ID 80.879.383**

*US/Canada telephone number:* +1 (866) 837-3612

*Colombia telephone number:* 01800-518-0165

*International/local telephone number:* (706) 634 - 9385

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

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