



INVESTMENTS THAT TRANSFORM

Integrated Report 2019



GRUPO ARGOS

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GRUPO ARGOS

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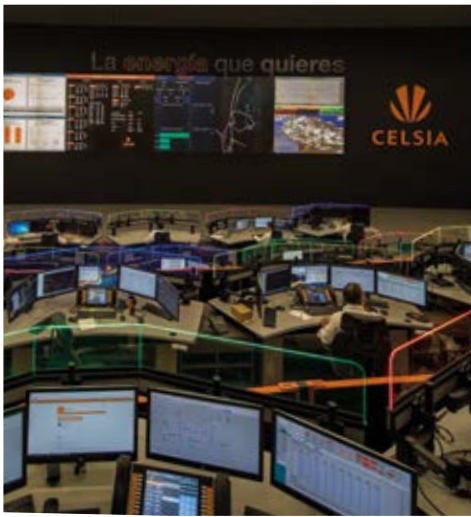
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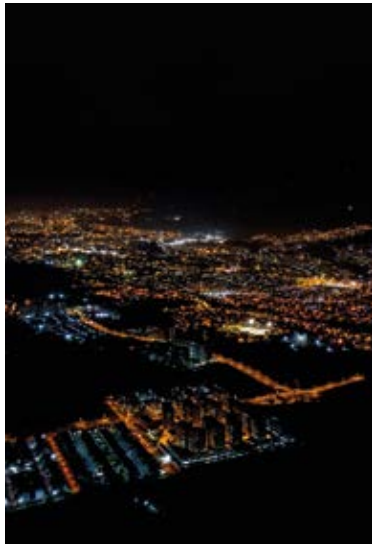
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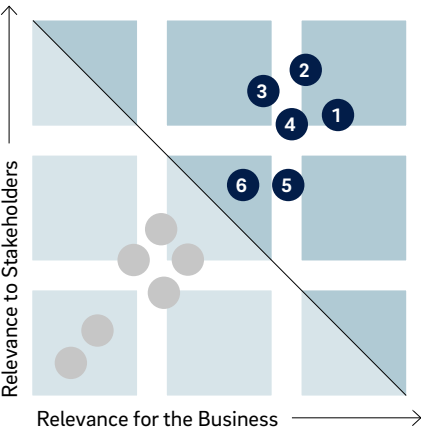


About this Report

This report is an exercise of transparency in which we communicate the progress in management of the most relevant economic, social, and environmental topics for our stakeholders. Through them, we state how we generate value for the Company, society and the planet.

Materiality

[102-47] The level of significance of the topics developed by this report was determined based on the Materiality Analysis we carried out in 2018, which was updated in 2019, with the aim to accurately reflect the six topics we consider to be our key drivers to create value.



- 1. **Strategic Oversight:** Page 58
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On the cited pages, we describe each of the six value drivers, their relevance, the way we manage them, our progress and the most significant milestones of 2019. Similarly, we state our vision of the future for each one, through short, medium and long-term goals, as well as the related challenges and opportunities.

Our commitment to the United Nations 2030 Agenda is materialized through four of the 17 Sustainable Development Goals (SDGs), which we prioritize according to our capacity to directly contribute to the different global challenges that each one represents. For each value driver, we indicate the symbol(s) of the SDGs to which they contribute. For more information about our alignment with the global goals, please consult our appendices. [Visit here.](#)

Reporting Methodology

[102-54] This report has been written in accordance with the Global Reporting Initiative (GRI), essential option, and at the same time, follows the principles and guidelines of the Integrated Reporting Framework (IIRC). The financial statements are presented according to the International Financial Reporting Standards (IFRS) and the figures in U.S. dollars have been converted into Colombian pesos using the representative market exchange rate (TRM, for the Spanish original) for each item of the financial statements.

[102-55] The GRI Content Index is contained in the Appendices section, for which the numerical codes included at the beginning of some paragraphs serve as a guide and the Self-Declaration of Compliance with the main principles of the Integrated Reporting Framework (see pages 110 to 113).

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



13 CLIMATE ACTION



17 PARTNERSHIPS FOR THE GOALS



Argos Innovation Center
Medellín, Colombia

Coverage

[102-45, 102-46] This report informs about our management, performance and main results as a manager of investments in infrastructure. In turn, it includes relevant information about our strategic businesses: cement (Cementos Argos S.A.), energy (Celsia S.A.) and road and airport concessions (Odinsa S.A.). Furthermore, it covers our investments in the urban development and coal businesses.

[102-49] Throughout this document, we specify whether the reported indicators correspond to a Grupo Argos indicator separately, to one of our businesses or to our consolidated business group.

Frequency

[102-50, 102-51, 102-52] This document was published in March 2020 and it describes our performance and results for the period between January 1 and December 31, 2019. The previous version was published in March 2019.

External Assurance

[102-32, 102-56] With the aim to prove the reliability of the reported information, we have subjected this publication to an accounting audit by the firm KPMG as Statutory Auditor of the Company. Senior Management reviewed and approved the Integrated Report and put Deloitte & Touche in charge of the limited assurance of the social, environmental and economic indicators. The applicable verification reports are on pages 116 and 117.

[102-48] Relevant information has not been restated with respect to previous reports. In the event that the calculation method has been updated for an indicator, it is specified in the respective section.

[102-53] This document is posted on the www.grupoargos.com website and it is complemented with a section of digital appendices.



Consult them by scanning this code. Additionally, the public information for the 2019 period is included on our website.

To consult the integrated reports of our strategic businesses, visit their websites: www.argos.co, www.celsia.com and www.odinsa.com.

Inquiries

If you have any queries or comments with respect to the content of this report, you can contact Cristina Arias, Sustainability Sr Director (cariase@grupoargos.com).

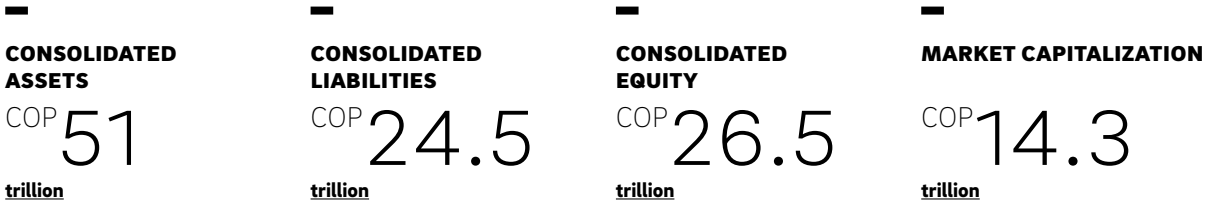
ABOUT US

"We are a leading asset manager that creates value by transforming financial, natural and human capital into tangible benefits for all its stakeholders."

JORGE MARIO VELÁSQUEZ
CEO

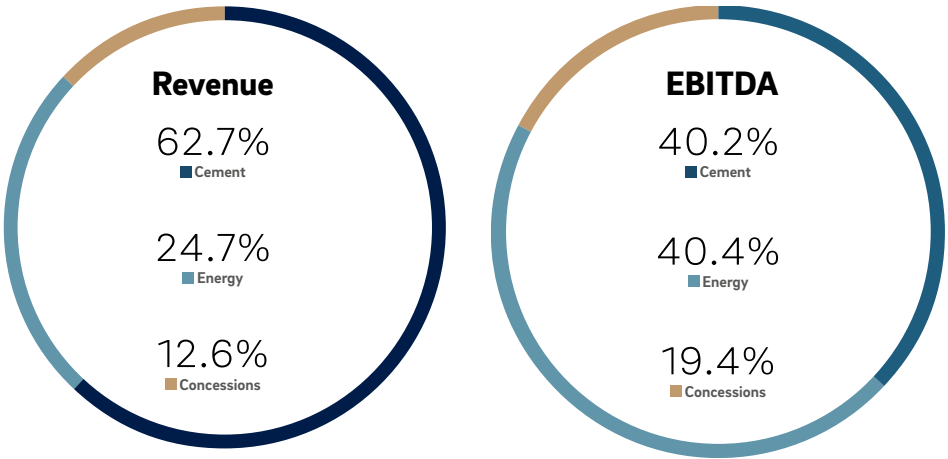
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Highlights

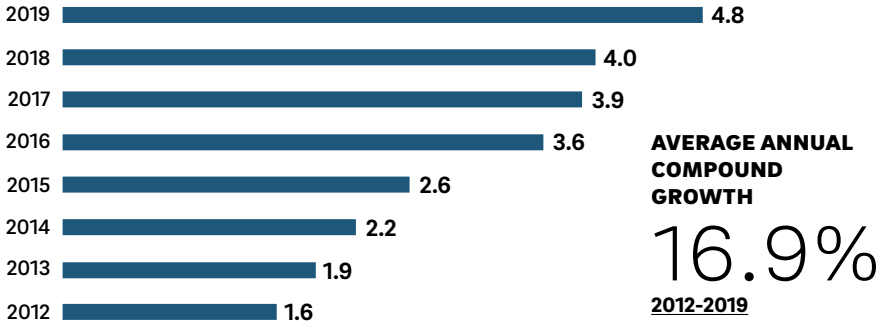


More than 13,000 employees are part of the business group

More than 9,400 shareholders

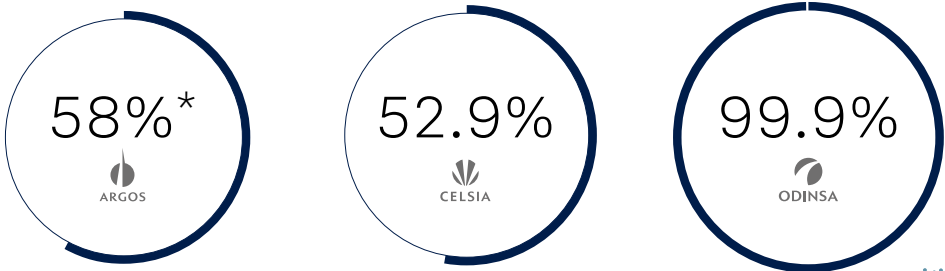


Consolidated Annual EBITDA
Figures in trillions



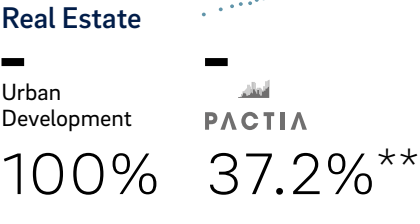
ABOUT US

Our Strategic Investments

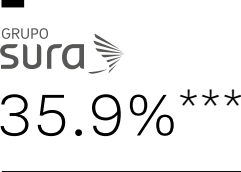


* Outstanding common shares.

Portfolio



Financial Services



Food



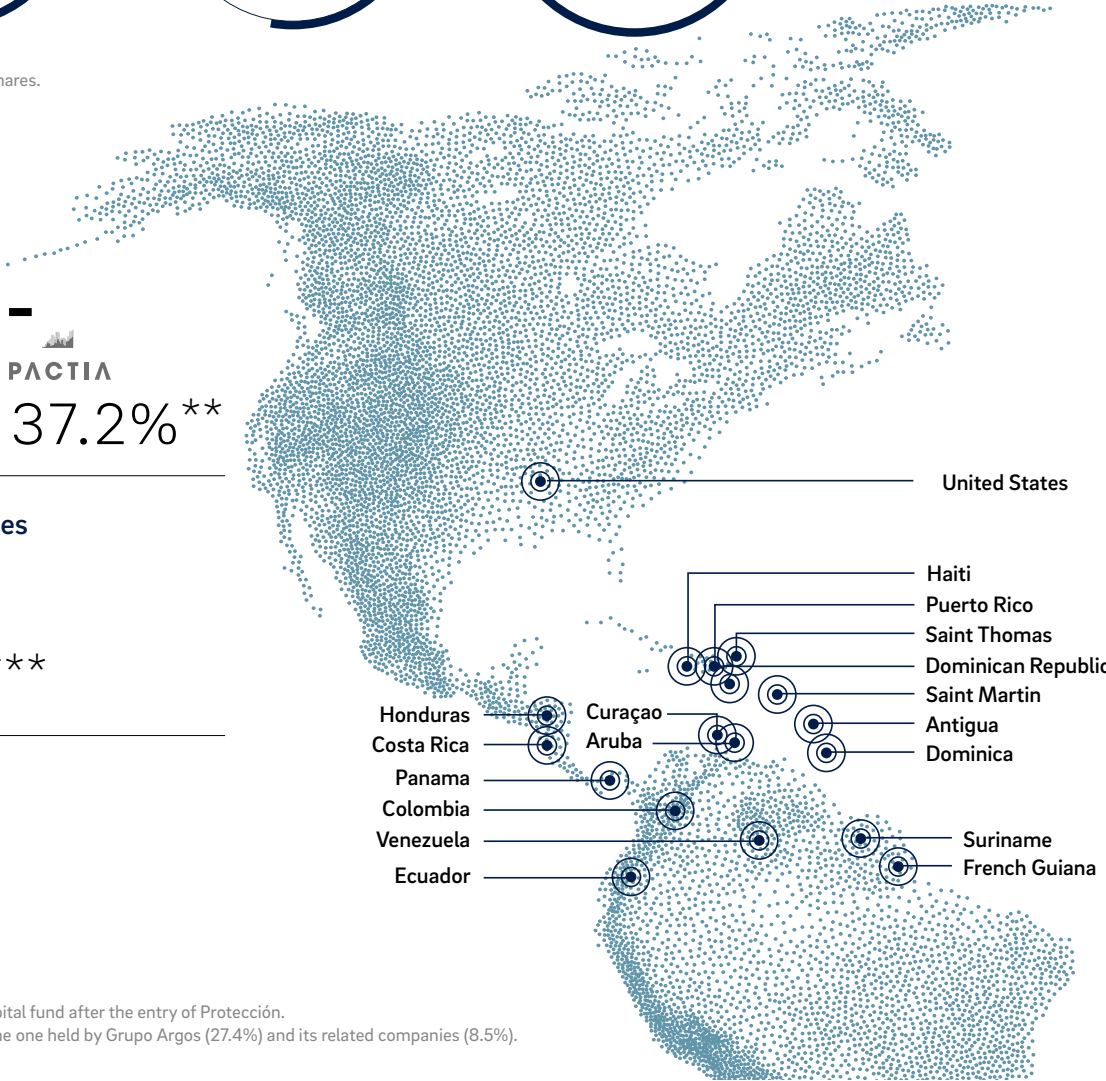
** Share in the private capital fund after the entry of Protección.
*** This shareholding is the one held by Grupo Argos (27.4%) and its related companies (8.5%).

Memberships |102-12, 102-13|

wbcscd World Business Council for Sustainable Development and its Colombian chapter, Cecodes.

Latin American Companies Circle Corporate Governance Roundtable.

Acknowledgements



MANAGEMENT REPORT

“Grupo Argos has transformed into a top-level asset manager. As it generates value for its shareholders, it is positively changing the lives of millions of people through strategic investments in infrastructure.”

ROSARIO CÓRDOBA
Chairman of the Board



Management Report from the Board of Directors and the CEO

Dear Shareholders,

On behalf of the Board of Directors and the more than 13,000 employees committed to the purpose of positively transforming the lives of millions of people through our investments in the infrastructure sector, I am very pleased to present the 2019 results of Grupo Argos. Thanks to your trust and ongoing support of the Organization, we can now proudly say with great satisfaction that we are generating value for you, our stakeholders and society in general.

The year 2019 was one in which Grupo Argos consolidated its role as an asset manager that leads and empowers the strategy of its businesses. We keep positioning ourselves as an important infrastructure platform in the Americas, disciplined in the execution and allocation of capital, which attracts strategic investors to our assets portfolio.

Through a sustainable value generation model that balances economic, social and environmental matters, and thanks to the talent of a diverse and committed team, **in 2019, we achieved the highest consolidated EBIT-DA in the Organization's history, amounting to COP 4.8 trillion with 21% growth year-on-year** and a consolidated net profit of COP 1.3 trillion.

With this dedicated and careful management, we aim to benefit the collective interest, while operating as an integral and sustainable business. This conviction of building value for all our stakeholders was highlighted again in 2019 by the Dow Jones Sustainability Index, which for the third year in a row, ranked us as the world's most sustainable company in our sector.

Furthermore, **for the first time, Fitch Ratings rated Grupo Argos as an AAA issuer**, a decision based on the strengthening of our capital structure, on the return on investments and on the enhancement of our portfolio, as well as the stability and strengthening of the dividends received.

—

THE WORLD'S MOST SUSTAINABLE WITHIN OUR INDUSTRY

For the third year in a row, Grupo Argos was acknowledged as the most sustainable company in its industry in the Dow Jones Sustainability Index.

—



- ^ **Túnel Aburrá – Oriente concession**
Medellín, Colombia
- **Solar roof of the Convention Center**
Cartagena, Colombia



Our Strategy

We are firmly convinced that infrastructure is a dynamic and promising sector. Therefore, **in 2019, we strengthened our strategy as asset managers, using financial, natural and human capital to find opportunities to create value.** Therefore, we keep efficiently and responsibly transforming different resources: minerals into construction products, water and wind into clean energy, and management capacity and ideas into new road and airport expansion projects. We are maximizing the return on investments, turning over assets and reallocating financial resources to our businesses.

Over the last year, we have seen how each factor that supports our long-term vision of the sector has been strengthened. Latin America, with a population of around 650 million people, continues to be one of the regions with the greatest growth potential, sustained by the increase in consumption and expansion of the middle class, which in the last decade, grew over 20% according to data from the World Bank.

Just to mention some aspects, cement consumption per capita is 262 kg in Latin America, about half the global average of 520 kg, which represents a great growth potential. In energy, we keep seeing a positive trend related to the move to electric transportation and the decarbonization of the global economy. It is estimated that sources of non-conventional renewable energy will increase 20% by 2050,



- **Cementos Argos plant**
Rioclaro, Antioquia

with solar energy being the one making the greatest contributions, estimated to comprise more than 40% of the global composition of the renewable energy generation matrix.

In airports, the region has great expansion opportunities in passenger traffic, which is expected to be 6% a year, doubling the economic growth expectations. The needs for investment to upgrade the infrastructure in the United States are added to this, which are estimated to be USD 8.5 quintillion over the next 20 years.

We have the capacity to keep contributing to the construction of the region's infrastructure: **Our businesses operate in 18 countries of the Americas, where we manage more than COP 51 trillion in assets, which represent a unique portfolio that is difficult to replicate and has high growth potential.**

In 2019, we remained committed to our long-term strategy, which is based on two major central lines: on the one hand, **selective and profitable growth** and, on the other, the **improvement of our companies' profitability to maximize value.**

Our energy and concessions businesses made important progress in the central line of selective and profitable growth. For Celsia, it was a year of consolidating a vision that in less than a decade, enabled it to change from a highly diversified and unrelated portfolio to become one of the sector's most powerful platforms in the region, in which we project ourselves as leaders in innovation applied to customer service and developing the generation of renewable energy sources.

OUR STRATEGIC PRIORITIES

- Selective and Profitable Growth
- Maximization of Value

—
COP **1.4**
trillion
in partnerships with
*Cubico Sustainable
Investments*
—

This year, we managed to double our customer base, achieving 1.1 million; we made capital turnovers of COP 4.4 trillion; we generated an EBITDA of COP 1.3 trillion; and we closed strategic partnerships at COP 1.4 trillion with *Cubico Sustainable Investments*, a renowned global investor with which we aim to develop more than 400 MW of solar energy and expand our distribution business over the next two years.

At Odinsa, we also had a year marked by a strong focus on growth, managing to consolidate a platform that transported around 40 million passengers in its airports and 37 million vehicles on its freeways in Colombia and abroad. We decisively grew with the acquisition of important assets and with the structuring of new initiatives that will increase our concessions footprint, essential for the connectivity of the country and the region. An example of this is the acquisition of the Túnel Aburrá–Oriente concession, which connects the two most important urban centers of Antioquia: Valle de Aburrá and Valle de San Nicolás.

In terms of the second central line, focused on improving our companies' profitability, for the energy and concessions businesses, we focused on gaining greater value and generating profitability in our assets through initiatives to enhance capital structures. We progressed in the cement and concrete business to achieve increasingly lighter and more flexible operations, which are prepared and ready to respond to the market changes, with the aim to maintain leadership in the countries where we operate.



■ **Túnel Aburrá–Oriente concession**
Medellín, Colombia



■ **El Dorado International Airport**
Bogotá, Colombia

■ Cementos Argos plant
Cartagena, Colombia



Financial Results

The revenue and EBITDA achieved in 2019 are the highest in the company's history, which motivates us to keep strongly progressing in the Organization's management.

We ended 2019 with a revenue that amounted to COP 16.8 trillion, increasing 18% year-on-year, with positive contributions of all the strategic businesses. The EBITDA amounted to COP 4.8 trillion, up 21%, as a result of factors including Celsia's contribution, which amounted to COP 1.8 trillion, COP 671 billion above the contribution the previous year.

In this situation, the net profit amounted to COP 1.3 trillion, while the net profit of the controlling company reached COP 690 billion, which was affected asymmetrically by a greater income tax provision that increased from the previous year. This was largely to due the calculation of deferred tax, as well as the increase in capital gains tax, mainly generated by the non-recurring transactions to divest assets, which meant an additional record of COP 147 billion. It is worth noting that a large part of this provision will be formed using tax credits from previous years, because cash expenditure is substantially lower.

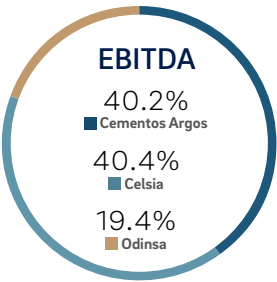
In turn, the separate results show changes given the portfolio divestments that Grupo Argos carried out in 2018 and they represent extraordinary income in this period of COP 655 billion. In 2019, the revenue amounted to COP 846 billion, manageable costs decreased 5% in real terms, the EBITDA was COP 615 billion and the net profit reached COP 483 billion.

REVENUE

COP 16.8
trillion ^18%

EBITDA

COP 4.8
trillion ^21%



	Dec-2018	Dec-2019	Variation (%) 2018-2019
Revenue	14,295	16,799	18%
EBITDA	3,947	4,788	21%
EBITDA margin	28%	28%	89 bps
Net profit	1,194	1,256	5%
Net profit of the controlling company	671	690	3%

Figures in COP billion

In the consolidated balance sheet, assets totaled COP 51 trillion, of which COP 43.9 trillion are non-current assets with 4.8% growth. Liabilities reached COP 24.5 trillion, while equity amounted to COP 26.5 trillion, up 3.6%. The details of the statement of income can be found from page 72 of this report.

Emphasizing the leadership in management of consolidated liabilities, I want to highlight the capacity we developed as a business group to quickly and efficiently access the local and international capital markets. In total, we carried out issuances, placements and transactions for more than COP 5.3 trillion, which makes us dynamic agents of the financial market. This value is relevant if it is compared, for example, with the total volume of fixed-income issuances of the Colombian market, which amounted to COP 13.6 trillion. These movements represented a reduction of 16 basis points in the rates at the same time as we improved the debt maturity profile in one year.

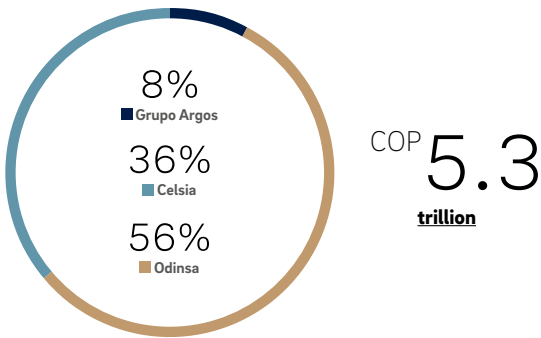
Separately, Grupo Argos carried out the straight bond placement with the highest demand in the real sector in Colombia for a total amount of COP 450 billion. These resources, together with the cash surplus generated in the year, were used to replace the debt. This strategy contributed financial flexibility by increasing the average life of the debt from 4.3 to 6.6 years without variations in the cost and eliminating maturities between 2019 and 2021. Therefore, the leverage indicators closed at 2.5 times net debt over adjusted EBITDA.

At Odinsa, a business in which we added placements and financial transactions of COP 3 trillion in the period, we highlight the bond issuance carried out by the Mariscal Sucre International Airport concession, Quiport, in Ecuador, for a value of COP 1.3 trillion, becoming the first debt issuance carried out by



■ Celsia Solar Yumbo
Valle del Cauca, Colombia

Issuances, Placements and Financial Transactions



COP 5.3
trillion

a corporation in the last 20 years in that country. We also issued notes through the private placement in Opain of COP 1.4 trillion. Then, at the end of the year, we financed Autopistas del Café with COP 250 billion.



■ Cementos Argos plant
Harleyville, United States

INCREASE IN CONSOLIDATED ASSETS

From COP 10 trillion in
2005 to

COP **51**
trillion in 2019

THE LARGEST PRIVATE, NON- FINANCIAL, REAL SECTOR COMPANY IN COLOMBIA

Long-Term Value Creation

As an asset manager in an intensive capital business with a long-term vision, over the last 15 years, **Grupo Argos went from having a consolidated equity of COP 10 trillion in 2005 to a consolidated equity of more than COP 51 trillion at the end of 2019.** This figure positions us in assets as **the largest private, non-financial, real sector company in Colombia.**

The sum of the consolidated EBITDA between 2005 and 2019 amounts to COP 31 trillion, a figure which corresponds to more than half of Colombia's budget for the development of the fourth-generation road program. It is also worth highlighting that during this period of 15 years, the dividends for our shareholders have not been affected or interrupted by the business cycles. On the contrary, they have had an average sustained growth of 7.5% year-on-year, 3% above inflation.

In 2019, our common shares increased 5.3% in value, which added to the distributed dividends, is equivalent to a total return on investment of 7.4% for the shareholder. However, the sustained performance of the good financial results, which is an essential value of the company, differs from the performance of our securities on the Colombian securities market, taking into account the gap between the 23% compound growth of the EBITDA and the total return for the shareholder of 9.7% over the last 15 years. In efficient and developed markets, it is observed that historically, the price of securities grows at higher rates than their EBITDA. The above confirms the **important potential of structural appreciation of Grupo Argos shares.**

In this situation, we celebrate the result of the recent mission of the capital market, which has suggested a series of structural reforms to the securities market to strengthen and democratize it, correcting some aspects that limit the securities' capacity to reflect the businesses' value potential. Therefore, we have been emphatic about the need and importance of facilitating the legal and regulatory changes suggested by the mission.



■ Autopistas del Café
Colombian Coffee Region

—

We reached

1.1

million customers

with the purchase of the Tolima distribution assets

—

250

MW

of solar power generation in installation and development

—

COP

4.4

trillion

in transactions made in the energy business in 2019

—

The only company of

100%

Colombian origin to receive allocations in the Colombian government's renewable energy auction

—

Business Performance

Energy

The electricity sector is going through a time of transition in which new business opportunities arise resulting from emerging world trends. The development of non-conventional energy, enhancement of energy consumption, distributed generation, customer empowerment and the creation of products for a bespoke service are defining new ways of gaining value and serving the population.

These transformations of the sector drove us to redirect Celsia's strategy a couple of years ago with the aim to keep positioning the company as a player that stands out because of a solid asset base, its profitability and its innovation capacity in the Latin American electricity market. Now, we can say that **2019 was a transformational year in which we managed to establish large milestones in a long-term strategy, which enabled us to achieve a net profit of the controlling company of COP 473 billion, increasing 108%.**

During the year, we made asset purchase and sale transactions of COP 4.4 trillion. We highlight the divestment of the Termoflores assets for a company value of COP 1.4 trillion, which represented an Internal Rate of Return for the shareholders of more than 15% over the initial investment. These resources were reallocated for the **purchase of the Tolima distribution assets in a transaction of COP 1.7 trillion, which enabled us to double our customer base to achieve 1.1 million.** With this transaction, we managed to increase the EBITDA of the distribution business by 26%, obtaining more balanced and diversified results between generation and distribution.

Additionally, **we structured two platforms for the growth of the business with Cubico Sustainable Investments, one which groups the solar power generation assets and another with the distribution and transmission assets.** This partner will contribute capital and knowledge to empower the development of projects that we have structured for more than USD 1 billion.

We highlight other achievements, such as the installation and development of more than 250 MW of solar power generation, the progress in the construction of the San Andrés de Cuerquia power plant and the allocation of 768 GWh/year in the Colombian government's recent renewable energy auction. **Celsia is the only power generation company of 100% Colombian origin to be granted allocations and it is consolidating itself in the country as a leader of transformation in the sector in pursuit of a cleaner and more resilient energy matrix.** This allocation shall enable the construction of around 330 MW of wind power in La Guajira over the next two years.



■ Guanacaste wind farm
Bagaces, Costa Rica

Additionally, with the main objective of balancing its renewable portfolio and strengthening its matrix, Celsia will build a wellhead, gas-fired, thermal power plant with an installed capacity of 200 MW, which was allocated income from the reliability charge over 20 years in the last auction carried out.

Our energy business ended 2019 with a consolidated leverage indicator of net debt over EBITDA of 2.7 times, with a cash flow position of COP 385 billion, which enables the company to keep strengthening the built asset base.

Celsia's medium and long-term strategy is customer oriented and aims to consolidate its approach mainly in renewable energy, where we have projects that amount to around 700 MW. Additionally, the company will progress in the expansion and consolidation of distribution and transmission assets under the system of strategic partnerships and in the exploration of innovative value propositions for our customers.



■ Argos Innovation Center
Medellín, Colombia



■ Audi Field, construction built with Argos cement
Washington D.C., United States

Cement

The construction materials market is experiencing a structural transformation that requires ongoing changes to the value proposition for the sector's players. In the last decade, global cement consumption has grown more than 3% a year on average. However, there has been significant growth in the installed capacity. We have faced these changes as an opportunity to reinvent ourselves, increasing the differentiated value offer, innovating in products and services, carrying out work aimed at maximizing operational efficiency through greater integration and optimizing the asset portfolio. This strategy has enabled us to maintain our leadership and competitiveness in the markets where we operate.

The consolidated revenue amounted to COP 9.4 trillion, up 11%, while the EBITDA reached COP 1.8 trillion, up 14%, partly supported by the optimization strategies, which enabled us to reduce the administration expenses by 10%, eliminating the non-recurring expenses.

The company strengthened itself with efficiency initiatives that enabled an increase in the generation of EBITDA, an increase in the return on capital used, a reduction in its working capital cycle and the maintenance of a disciplined allocation of capital. At the end of the year, the business recorded a positive cash flow of COP 353 billion, which enabled a COP 430 billion reduction in its financial debt, accumulating a decrease of COP 950 billion in the last two years.

In Colombia, we achieved a revenue of COP 2.3 trillion with 3.8% growth from 2018. At the same time, we increased the profitability by 300 basis points, achieving an EBITDA of COP 522 billion.

—
COP 950

billion
reduction in
financial debt of
Cementos Argos during
the last two years
—



Innovation will continue to be the cross-cutting line and a determining differential in the market. We can satisfactorily confirm that now, **more than 25% of the company's total revenue comes from innovation and it has been improved with the launch of more than 240 products in the last five years.** The acknowledgment that we received at Argos for the second year in a row as the most innovative company in Colombia drives us to keep innovating to ensure our long-term sustainability.

Our cement business keeps standing out, additionally, for its performance in the Dow Jones Sustainability Index as a leading company and example in sustainability. This

acknowledgment is the result of the multiple initiatives that we have been rolling out, including the development of projects such as the **integration of 100% electric trucks** into the fleet to transport cement in urban areas; the **Energy Star certification** in the United States for the Harleyville, Newberry and Roberta plants; the development of the **project to capture CO₂ with microalgae**; the strengthening of our **digitalization strategy**; and the launch of the most environmentally friendly **Green Cement**, because during the production process, the carbon dioxide emissions are reduced up to 38% and energy consumption is reduced by 30%.

— **25%** of the revenue of Cementos Argos comes from innovation —
MORE THAN 240 PRODUCTS launched on the market in the last five years —

■ **Cementos Argos plant**
Cartagena, Colombia



■ **Cementos Argos plant**
Newberry, United States

In turn, the business in the United States continues to reap the effects of a strong economy, as reflected in the **higher volumes of cement and concrete, which increased 9.5% and 1.2%, respectively**, and which enabled us to increase income, achieving a total of USD 1.6 billion. The efforts made in efficiencies amounted to USD 10 million and contributed to a better **EBITDA, which closed at USD 268 million, up 12%.**

In Central America and the Caribbean, although it was a year with a lot of political uncertainty, which translated into a reduction in volumes and revenue, especially in Honduras and Panama, we keep viewing the potential of these regions with optimism, where we are decisively driving projects to strengthen operations.



■ Autopistas del Café
Colombian Coffee Region

Concessions

Our concessions business is developing in an environment that evolves positively. Latin America shows attractive demographic and economic characteristics. Over the last 18 years, the population has grown significantly in the region with an increase of around 14% in the middle class, which has translated into a greater demand for road and airport capacity. According to the estimations of the Inter-American Development Bank, this requires investments of 6% of the gross domestic product (GDP), 2.5% higher than the current investment.

The fruits of the sustained effort to strengthen the infrastructure are starting to be seen in Colombia, as demonstrated in the results of the Logistics Performance Index developed by the World Bank, in which the country climbed 36 places from 97th to 58th place between 2014 and 2018. Additionally, it

Colombia increased from 0.6% to

2%

of the GDP
its investment in the infrastructure sector

is fifth in Latin America, climbing seven places from the previous ranking. This evolution is explained by the strengthening of the regulatory framework and the **increase in investment in the infrastructure sector from 0.6% of the GDP in 2002 to 2% in 2019.**





■ **Pacífico 2**
Bolombolo, Colombia

During the year, we achieved the addition of a new road concession, the optimization of the capital structure of two airport concessions and one road concession, the substantial progress in the construction of the Pacífico 2 fourth-generation project, and important developments in the structuring of three of the most important infrastructure projects in Colombia through the Private Initiatives model.

We highlight that in February 2019, we registered the **feasibility studies of the project to build a new airport in Cartagena**. Additionally, **in December, the National Infrastructure Agency (ANI, for the Spanish original) approved the start of the feasibility stage of the project to expand the airport system in Bogotá**. These initiatives shall enable the preparation of the airport infrastructure for the growing demand, so we view these steps with utmost enthusiasm. We hope to keep progressing in these projects that demonstrate our confidence in Colombia.

■ The project of the Bogotá Airport System entered into the feasibility stage

As we have already stated, we are pleased to tell you about **the acquisition of the majority of the shareholding in the Aburrá Oriente–Túnel de Oriente road connection during this period**. This transaction amounted to COP 335 billion and since 2020, it has become a **strong generator of EBITDA with an estimated contribution of COP 130 billion a year**. This mega infrastructure work is essential to keep driving the development and competitiveness of Antioquia and to keep generating well-being for its residents.

With respect to the construction of Pacífico 2 in southeast Antioquia, at the end of 2019, we achieved 82% progress in the works, 3% ahead of schedule for this phase of the project. It is highly satisfactory to know that **we are part of the first 4G project group that will be delivered to the country in the second half of 2020** and that the talent and commitment of around 2,000 people who have participated in the process will serve to improve competitiveness and connect the region more efficiently.

The consolidated revenue of Odinsa amounted to COP 762 billion, the EBITDA closed at COP 543 billion and the net profit at COP 192 billion, up 3%. These results respond to the **good operating performance of the concessions, with traffic that increased 8% on highways, achieving an average of 103,000 vehicles a day**. Likewise, we observed a growth in **passenger traffic, which amounted to 40 million**, where the outstanding performance of El Dorado International Airport stands out, which reported the total transportation of 35.1 million passengers, increasing at a rate of 6% from the previous year. This is more than twice the growth of the GDP.

40
million
passengers in airports

103
thousand vehicles a day

COP 335
billion
were invested for
the acquisition of
Túnel de Oriente



■ **Túnel Aburrá – Oriente concession**
Medellín, Colombia



■ Construction of Hotel Calablanca
Barú, Colombia

WE WILL DEDICATE
MORE THAN

300

hectares
of land in Barú to
the protection of
mangroves and tropical
dry forest

Additionally, we made important progress in our property in Barú, where we started to realize the dream of creating a world-class destination. **More than 1,000 hectares will be developed in multiple phases, where more than half of the territory will be used for environmental conservation, transport infrastructure and public facilities.** It is worth highlighting that 300 hectares will be used for the protection of mangroves and tropical dry forest.

One of the notable projects in the area is the construction of the Sofitel CalaBlanca hotel, which was started in 2019 and hopes to open its doors to Barú tourists in 2021. Added to the new Gran Decameron hotel, this initiative has sparked interest in the market, which has enabled us to progress in additional negotiations for hotel projects that will give us access to different segments, significantly increasing the value of our assets on the island.

In the real estate business in which we are partners in Pactia, in 2019, we made a capital injection of COP 176 billion, with which we strengthened the position of Grupo Argos in that entity. In the same way as our other businesses, **we have a decisive approach to the profitability of the portfolio.** The fund ended the year with assets under management that amounted to COP 3.9 trillion and represented a net profit, not including income from divestments, of COP 193 billion, up 13%.

Real Estate Business

Grupo Argos owns more than 3,000 hectares of land, which are located in Barú and Barranquilla, on the Colombian Caribbean coast. Around 2,000 hectares comprise more than 80% of the total commercial value of this portfolio. Since these assets were incorporated into the Company's balance sheet, we have identified their opportunity to generate value, also promoting sustainable and responsible projects with the communities and the environment.

In 2019, we closed 11 deals, amounting to COP 120 billion, which represent around 20% growth from the previous year. The cash flow during the year amounted to COP 92 billion, increasing 12% from 2018.



Ana Gabriela Romero, winner of scholarship from Fundación Grupo Argos Barú, Bolívar

We Create Value for Society

We added to society
2.4
times
the benefit
we retained

The private sector is an essential engine of development, being the main source of employment and investment, a fertile land for innovation and the main agent generating wealth and well-being. Therefore, **we are committed to solving the problems that we share as a society** and to achieve this, it is essential to **strengthen the public's trust in the institutions and productive sector** as key actors in path towards progress.

At Grupo Argos, create value by generating profits, driving the economy, protecting the planet and contributing to human development. That is why we set ourselves a task in which we are pioneers in the country, which consists of **quantifying the net value that we add to society with a tool that we have called the Value Added Statement (VAS)**. Thanks to the sustainability vision that we contribute through Grupo Argos as a strategic manager, each one of our businesses has carried out the exercise internally. The results reflect substantial progress in responsible operation, the tangible benefits that result from cutting-edge practices, as well as the conviction to invest consciously.

Now, we are proud to tell you that the data collected for this year for Grupo Argos separately demonstrate that **during 2019, we delivered to society 2.4 times the value we retained in the same period, which represents an estimated net benefit of USD 220 million**. The economic dimension represented 55% of this value, a proportion that symbolizes the dynamization of the economy, which resulted from our payments of taxes, salaries, interest and dividends.

Additionally, with greater conviction about the need to maintain the natural capital we transform, we work to contribute to the **conservation of ecosystems through our businesses and through Fundación Grupo Argos**. An example of this is that now, **we are one of the organizations that has contributed the most to reforestation in Colombia with the planting of more than 6 million trees over the last four years**.

Our contribution to society was strengthened in 2019 with the progress of Fundación Grupo Argos, which established water as one of its strategic lines in the need to adapt to climate change in partnership with the communities and actors of the regions. To progress in this objective, we contributed to the reforestation of forests and mangroves in different areas of the country and we participated in the protection of more than 3,000 hectares through 97 conservation and production agreements with the communities and landowners.

This work is accompanied by efforts to transform the territory, which include our volunteering program, in which more than 2,000 employees have participated, as well as the scholarship program, which enables 200 young people in 11 departments of Colombia to have access to high-quality higher education and all-round support to improve their educational experience.



MORE THAN
6
million
trees planted

GRUPO ARGOS CULTURE

- Transcendence
- Inspiration
- Integrity
- Commitment

We would also like to highlight that **the results we present today are possible thanks to the commitment and professionalism of a team of staff with a purpose that continually transcends their work in the business**. Therefore, in 2019, we progressed in establishing the declaration of **our business culture, framed in the pillars of transcendence, inspiration, integrity and commitment**, which guide us in decision-making and describe our actions. Now, we have the competitive advantage of building through our strength as a business group to see further, to benefit from the multiple synergies of belonging to a multicultural and diverse organization and to make the regions where we operate a better place for everyone.

Belmira Water Basin with intervention by Fundación Grupo Argos through the Cuenca Verde (Green Basin) program Antioquia, Colombia



■ Grupo Argos employees
Medellín, Colombia

Our Vision of the Future

We are optimistic about the future, as the sectors we participate in have solid foundations to grow. Therefore, in 2020, we will keep building dreams that drive development, we will keep generating and transmitting clean energy to light the houses of millions of people and we will keep generating connections to drive the well-being, productivity and development of the country. Ultimately, we will remain faithful to our purpose of investing in infrastructure projects that positively transform the lives of millions of people.

Dear shareholders, we are deeply grateful to you for your support and trust. This is your organization and we hope you will keep accompanying us in the construction of this vision of the future.

Thank you so much.

Rosario Córdoba Garcés
Ana Cristina Arango Uribe
Claudia Betancourt Azcárate
Armando Montenegro Trujillo
Carlos Ignacio Gallego Palacio
David Bojanini García
Jorge Alberto Uribe López
Board of Directors

Jorge Mario Velásquez Jaramillo
CEO

Legal and Corporate Governance Matters

Grupo Argos observed the applicable legislation in terms of intellectual property and copyright, and the transactions carried out with managers and shareholders were done in observance of the applicable laws and in response to market conditions. Said transactions are described in Notes 38 and 41 of the separate and consolidated financial statements, respectively. In turn, the company permitted the free circulation of the invoices issued by suppliers.

The aspects listed in Article 446 of the Code of Commerce, the Business Group's Report, which is referred to in Article 29 of Law 222/1995, and the Annual Corporate Governance report are included in the documents delivered to the shareholders.

Grupo Argos has an internal control system to ensure the adequate preparation and presentation of financial information to its shareholders, the market and the public in general. During 2019, Management, the Risk Department, Internal Auditing Department, Statutory Auditor and Board of Directors, through their Audit, Finance and Risk Committee, assessed the Internal Control System and concluded that it operates adequately.

The other legal topics, including the court and administrative proceedings, are being attended to in a timely manner by Management and its legal advisors, and they do not present material decisions that affect the Company's financial situation.

Finally, the report on the implementation of recommendations of *Código País* survey is on the website: www.grupoargos.com.



■ Grupo Argos offices
Barranquilla, Colombia

OUR BUSINESS



Board of Directors



The Board of Directors is our highest management body and has a general vision of all the businesses of the Business Group. It has a diverse composition in terms of gender, skills and experience, and it has the active participation of independent members.

Our Board of Directors defines the corporate strategy, supervises Management’s activities and monitors the risks and opportunities that arise in economic, environmental and social topics.

Additionally, it supports the engagement system between the companies of the business group, which serves as a basis to establish the strategies, policies and other guidelines that apply to all our companies and aim to ensure unity of purpose and management.

All of the above for the best interests of our shareholders and other stakeholders, ensuring that they protect their rights and meet their expectations in a balanced way, with the highest standards of ethics, conduct and transparency.

For more information about how we create value through our ethics and corporate governance practices, please go to page 62.

1. ROSARIO CÓRDOBA
Private Competitiveness Council - Chair

Non-executive
Independent: Yes
Member of the Board since: 2011
Board committee:

- Audit, Finance and Risk Committee
- Sustainability and Corporate Governance Committee
- Appointment and Remuneration Committee

Other boards of directors: 2

- Fiduciaria Bogotá
- El Tiempo

Non-profit entities:

- Universidad Jorge Tadeo Lozano
- Fundación Santa Fe de Bogotá
- Fedesarrollo Steering Council
- Advisory Board of Innpulsa Mipyme

Education:

- Economics, Universidad de Los Andes
- Master's Degree in Economics, Universidad de los Andes

Experience:

- Chair of the Private Competitiveness Counsel
- Previous position: Editor in Chief of the *Dinero* magazine

2. DAVID BOJANINI
Grupo Sura S.A. - CEO

Non-executive
Independent: No
Member of the Board since: 2004
Board committee:

- Appointment and Remuneration

Other boards of directors: 4

- Grupo Nutresa S.A.
- Bancolombia S.A.
- Suramericana S.A.
- Sura Asset Management S.A.

Non-profit entities:

- Proantioquia
- Fundación Empresarios por la Educación
- Corporación Colombia Internacional
- Private Competitiveness Counsel
- Fedesarrollo
- Fundación Suramericana
- Fundación Nutresa

Education:

- Industrial Engineering, Universidad de Los Andes
- MBA with emphasis on Actuary, University of Michigan

Experience:

- CEO of Grupo Sura S.A.
- Previous position: CEO of Protección S.A.

3. CARLOS IGNACIO GALLEGO
Grupo Nutresa S.A. - CEO

Non-executive
Independent: No
Member of the Board since: 2014
Board committee:

- Sustainability and Corporate Governance

Other boards of directors: 4

- Grupo de Inversiones Suramericana S.A.
- Tresmontes Lucchetti S.A. (Chile)
- Estrella Andina S.A.S.
- La Recetta S.A.S.

Non-profit entities:

- Hospital Pablo Tobón Uribe
- Proantioquia
- Fundación Suramericana
- Universidad Eafit
- Universidad Católica de Oriente
- ANDI

Education:

- Civil Engineering, Universidad Eafit
- MBA, Universidad Eafit

Experience:

- CEO of Grupo Nutresa S.A.
- Previous position: Chief of Services at Nutresa S.A.

4. CLAUDIA BETANCOURT
Amalfi S.A. - General Manager

Non-executive
Independent: No
Member of the Board since: 2018
Board committee:

- Sustainability and Corporate Governance

Other boards of directors: 4

- Gases de Occidente S.A.
- Promigas S.A.
- Contecar S.A.
- Palmar de Altamira S.A.S.

Non-profit entities:

- Fundación Notas de Paz
- Fundación Scarpetta
- Propacífico

Education:

- Economics, Colegio Mayor de Nuestra Señora del Rosario

Experience:

- General Manager of Amalfi S.A.
- Previous position: Chief Risk Officer, Corporación Financiera del Valle S.A.

5. ANA CRISTINA ARANGO
Director

Non-executive
Independent: Yes
Member of the Board since: 2009
Board committee:

- Audit, Finance and Risk Committee

Other boards of directors: 2

- Distribuciones Agralba S.A.
- Productos del Caribe S.A.

Non-profit entities:

- Sociedad Benéfica Santana

Education:

- Civil Engineering, Universidad Eafit
- MBA, Universidad de Los Andes

Experience:

- Director of Inversiones El Yarumo S.A.S.
- Previous position: Financial Management Assistant at Cementos Ríoclaro S.A.

6. JORGE URIBE
Consultant

Non-executive
Independent: Yes
Member of the Board since: 2015
Board committee:

- Appointment and Remuneration

Other boards of directors: 3

- Carvajal S.A.
- Ingredion Inc.
- General Mills Inc.

Education:

- Administrative Engineering, Universidad Nacional
- MBA, Xavier University

Experience:

- Independent consultant
- Previous position: Global Productivity and Organization Transformation, Director, P&G

7. ARMANDO MONTENEGRO
BTG Pactual S.A. - Chairman

Non-executive
Independent: Yes
Member of the Board since: 2015
Board committee:

- Audit, Finance and Risk

Non-profit entities:

- Fedesarrollo

Education:

- Industrial Engineering, Universidad Javeriana
- Master of Economics and Latin American Studies, Ohio University
- PhD in Economics, New York University, USA

Experience:

- Chairman of BTG Pactual
- Previous position: Managing Director at Ágora Corporate Consultants
- Director of the National Planning Department

Steering Committee



The technical knowledge, experience and personal qualities of its members make our Steering Committee the competent governing body to ensure achievement of the strategy.

This committee advises the CEO on the Parent Company's decisions or those that have an impact on it. In turn, each one of its members individually leads the functions under their responsibility, as well as the related topics that affect the whole Business Group.

1. JORGE MARIO VELÁSQUEZ
CEO

2. ALEJANDRO PIEDRAHITA
Chief Officer of Strategy and Corporate Finance

3. RAFAEL OLIVELLA
Chief Officer of Human Resources and Corporate Affairs

4. CAMILO ABELLO
Senior Director of Sustainability

CEO Committee



Through a profound knowledge of each one of the strategic businesses, decisions that affect the whole Business Group are discussed in this committee and efforts are coordinated to direct the shared mechanisms together.

The businesses' CEOs fully respond for the results of each company under the direction of their respective boards of directors and within the corporate context of Grupo Empresarial Argos.

1. JORGE MARIO VELÁSQUEZ
CEO of Grupo Argos

2. MARÍA CLARA ARISTIZÁBAL
Manager of the Urban Development Business

3. JUAN ESTEBAN CALLE
CEO of Cementos Argos

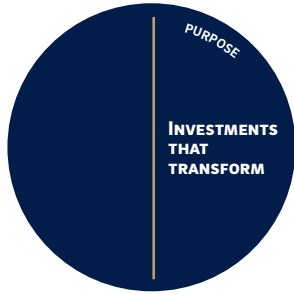
4. MAURICIO OSSA
CEO of Odinsa

5. RICARDO SIERRA
CEO of Celsia

How We Create Value



■ **Pacífico 2**
Bolombolo, Colombia



What Inspires Us

Positively transform lives through the use of financial, human and natural capital in investments that generate better economic results, obtained while protecting our planet for future generations and generating well-being for society.



What Challenges Us

Be a leading infrastructure holding company in the Americas.
As an active investment manager that leads and transforms businesses, we have set out a strategy that pursues two essential purposes:

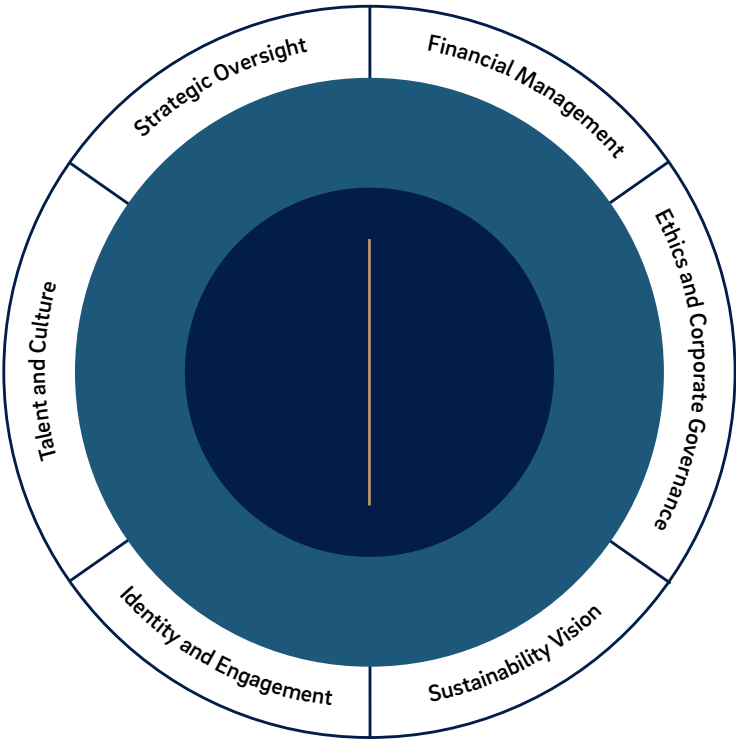
- 1. Grow selectively and profitably, seeking long-term sustainability.
- 2. Maximize the value we create for all our stakeholders.

Value Drivers

[102-15] We believe in the importance of playing an active role as an investment manager, which leads our Business Group to a consequent selective and profitable growth and maximization of value.
Therefore, we empower our strategic businesses thanks to the application of six key drivers, aiming to strengthen a series of skills that translate into more powerful strategies and greater talent in implementation. This result is achieved through group work between Grupo Argos, the boards of directors and the management of each one.

As part of our Work Model, we participate in the strategic decisions of our businesses and we accompany their disciplined implementation.
Furthermore, we support the processes of capital allocation and facilitate access to it, with which we foster greater financial strength.
Through the Holding Company, we also ensure that our businesses have an impeccable corporate governance system, which operates to the highest standards and controls of ethics, conduct and transparency.
In turn, we transfer our conviction to invest consciously, operate responsibly and implement cutting-edge practices with the aim to create a positive and sustainable impact in the long term.
Meanwhile, our long history in the sector has enabled us to build a strong identity and wide network of relations, which enable our companies to participate in big investments, as well as attracting low-cost capital, new strategic partners and high-level human resources.

It is precisely this talent, accompanied by our Group Culture, which make possible the effective development of all our skills at the same time as a skill is constituted in itself. Therefore, we focus on attracting, developing and retaining talent for the whole Business Group.
Through these value-generating drivers, which are differentiated but interdependent, we elevate the strategic decisions of our businesses and we strengthen the differentiators that define us as a business group, making this a strong and competitive business block.



For more details about each one of our value drivers and their identification and prioritization process, please consult Chapter 4 of this report on page 54.

HOW WE PUT IT INTO PRACTICE

With the aim to materialize the application of our value drivers, we have built a management system comprised of a series of policies, processes and tools, as well as a work model that establishes that we work together as a business group, balancing autonomy and control with clear and explicit governance on the joint creation of value.



■ Celsia Solar Bolívar
Bolívar, Colombia

External Context

We understand the context and the speed at which the world moves in light of global trends, and we anticipate the risks and the opportunities that these pose in order to ensure the successful development of each one of our businesses.

Climate change and scarcity of natural resources	Social activism	Responsible consumption	Regulatory changes and state intervention	Increase in urbanization and mobility	Hyperconnectivity and digital transformation
--	-----------------	-------------------------	---	---------------------------------------	--

Strategic Risks

[GA-ES01] Through a comprehensive understanding of the environment and a deep understanding of our business, we built a comprehensive risk model that enables us to manage them proactively. In this model, we have identified five strategic risks for which we established effective controls that minimize their probability of occurrence.

Additionally, we have quantitative methods for three of the five strategic risks. With this, we aim to estimate risk magnitudes that will enable us to focus our actions and optimize resources.

We constantly monitor the appearance of new risks and we work actively and decisively to convert them into great skills that make us more resilient and, therefore, more competitive. Consequently, our risk management demonstrates how we look after our most valuable assets.

To find out more information about our risk management, please consult the appendices. Visit [here](#).

Lower than expected profitability due to market dynamics or socio environmental issues that may prevent the achievement of our companies' business plans.	Loss of financial flexibility or impact on the relative performance of the portfolio due to the lack of an adequate debt structure composition and capital allocation.
--	---

Loss of portfolio's value due to the lack of certainty and stability of the economic, political and regulatory environment.	Loss of market capitalization due to negative media that affect the strong company's reputation, which supports investor's confidence.	Lack of key management skills due to inadequate good retention, development and talent acquisition practices .
--	---	---

OUR BUSINESS

Stakeholders

[102-21] We have the conviction to create value for all our stakeholders. Therefore, and as a starting point, we propose establishing what adds value for each one of them.

Through the different engagement mechanisms, as well as our annual inquiry exercise, we collect their opinions about our business activities and we communicate the progress of our management. This continuous, transparent and differentiated dialog constitutes the foundation on which we build the mutual trust that enables us to be sustainable.

Based on the inquires we make, we create a series of differentiated value promises, which aim to meet their expectations and are translated into value for them.

Value Promises

[102-43, 102-44, 102-40]

Shareholders and investors: Make their investment profitable in the long term and include them in our purpose, strategy and performance as customers and owners.

Subsidiaries and businesses: Increase their value individually and as part of the Business Group through the application of the key value drivers.

Strategic partners: Contribute the necessary skills to make the most of joint investments in the framework of ethics, good conduct and transparency.

Employees: Increase their level of commitment, develop their leadership, empower their inspiration and enable their results to transcend together with the Organization.

Environment: Contribute to the preservation of life on the planet in the future, aiming to minimize our negative impacts and maximize our positive ones.

To find out about our Stakeholder Engagement System, consult the appendices. Visit [here](#).

Authorities: Maintain transparent and collaborative relations with public institutions in order to contribute to the development of the countries where we operate.

Suppliers: Establish fair and sustainable business relations over time with the aim to benefit all the parties involved.

Associations: Contribute to capacity building in the industry, as well as to the strengthening of the private sector as an essential agent of development.

We identify and prioritize our stakeholders according to their level of dependency and influence with respect to our business, as well as ours towards them. This process is carried out following the Stakeholder Engagement Standard (SES) published by the AccountAbility organization (AA1000).

■ Grupo Argos employees
Medellín, Colombia

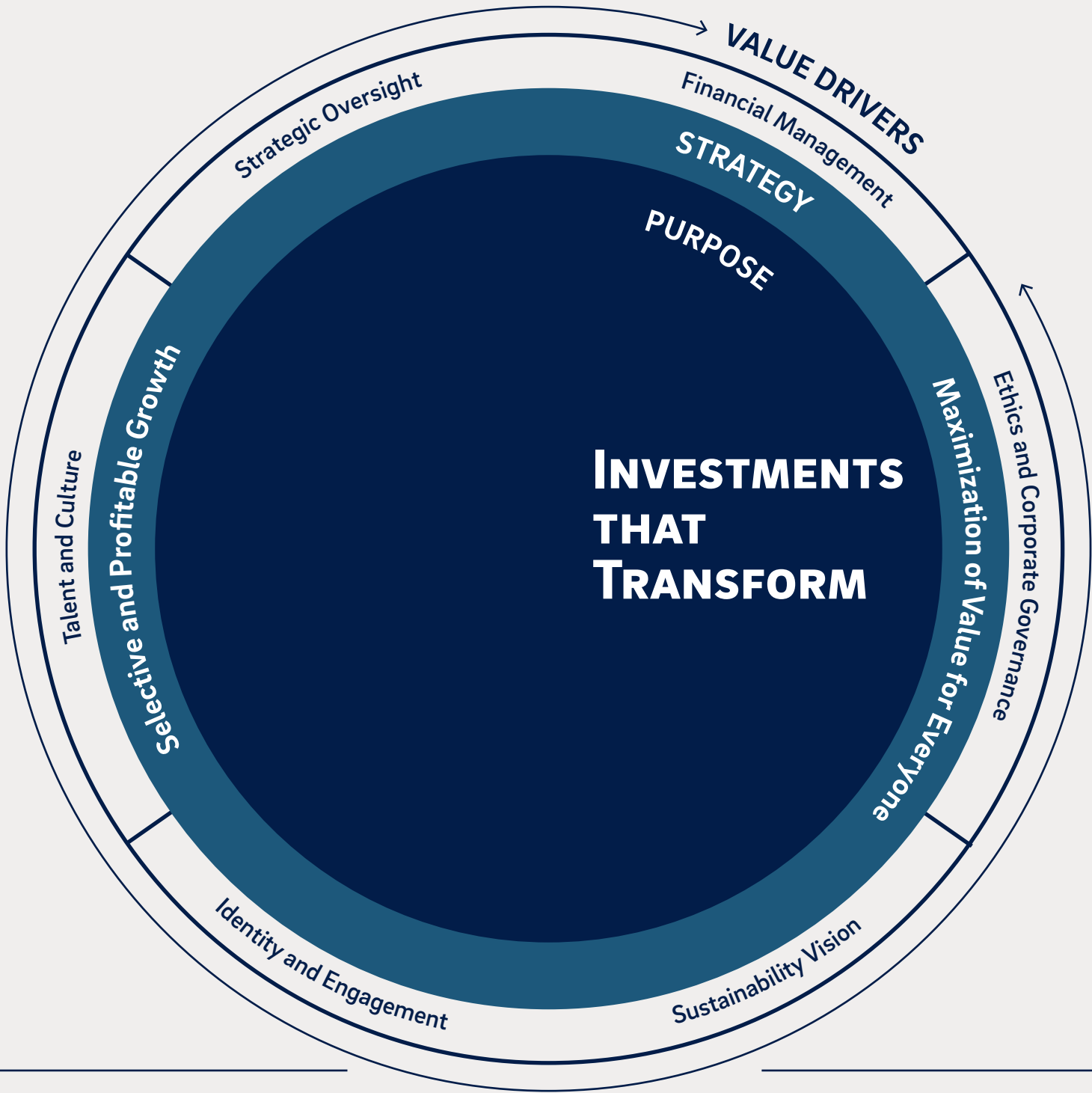


[102-9]

Value Creation Process

Inputs

Financial capital	<ul style="list-style-type: none">DividendsSharesBondsLoansDivestments
Human capital	<ul style="list-style-type: none">Human resources
Natural capital	<ul style="list-style-type: none">Natural resources
Social and relational capital	<ul style="list-style-type: none">Stakeholder engagement
Intellectual capital	<ul style="list-style-type: none">SkillsSystemsProcesses
Operating capital	<ul style="list-style-type: none">BuildingsEquipmentVehiclesInfrastructure



Outputs

Added value
for society in
general and for our
stakeholders

Stakeholders

- Shareholders and investors
- Subsidiaries and businesses
- Strategic partners
- Employees
- Environment
- Authorities
- Suppliers
- Associations

EBITDA	COP 4.8
trillion	
NET PROFIT OF THE CONTROLLING COMPANY	COP 690
billion	
VALUE ADDED STATEMENT (VAS)	
We delivered to society	
	2.4
times the value we retained in 2019 (USD 220 million)	

Strategic Risks

- Less profitability than expected due to market dynamics or socio-environmental phenomena that hinder **compliance with our companies' business plans.**
- Loss of financial flexibility or impact on the relative performance of the portfolio due to the lack of an **adequate debt composition and capital allocation.**
- Reduction in the portfolio's value due to the lack of **certainty and stability of the economic, political and regulatory environment.**
- Effect on the share price due to media impacts that affect **reputation, which leverages investor trust.**
- Lack of necessary key skills due to the lack or inadequate management of **good practices of attracting, retaining and developing talent.**

External Context

- Climate change and natural resource depletion
- Social activism
- Responsible consumption
- Regulatory changes and Government intervention
- Increase in urbanization and mobility
- Hyperconnectivity and digital transformation

[GA-ES03]

Value Added Statement - VAS

Through our business activities, we transform the different types of capital we use to operate into capital: financial, human, natural, social, intellectual and operating capital.

With the aim of establishing the net value we deliver to society, we measure our positive and negative impacts through a tool called the Value Added Statement (VAS).

This provides us with a comprehensive view on how we retain, add or reduce value, and it provides us with useful information that enables us to:

- **MAKE DECISIONS**
that are more responsible and better informed
- **MANAGE RISKS**
more accurately
- **ENHANCE TRANSPARENCY**
for our stakeholders

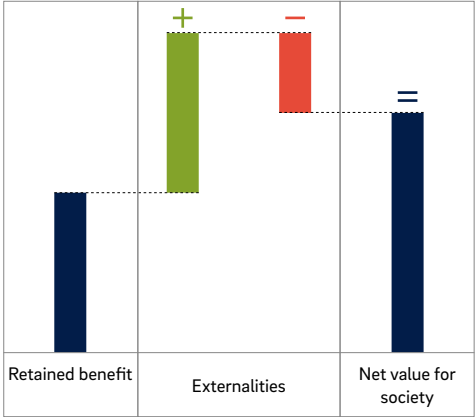
Model

Our VAS model estimates the net value during the fiscal year. The results are expressed in monetary terms in a bridge graph.

It starts with a blue bar, which represents the benefit we retained in the period.

The subsequent bars represent the economic, social and environmental externalities that are translated into benefits or costs for society.

These are expressed in U.S. dollars and are added up to obtain the net value, which is reflected in the blue bar at the end.



OUR BUSINESS



Employees of Grupo Empresarial Argos
Medellín, Colombia

All our strategic businesses are using the VAS method to establish their net contribution to society. In 2020, we will actively work to establish the value we add to society as a consolidated business group.

Economic Externalities

- **Salaries and benefits:** Dynamization of the economy through the employee payroll.
- **Interests and dividends:** Dynamization of the economy through the payment of interest to banks and investors, and the payment of dividends to our shareholders.
- **Taxes:** Dynamization of the economy through the payment of taxes to the government.

Social Externalities

- **Talent development:** Benefits for employees who receive higher salaries in the job market after having been trained.
- **Investments in communities:** Benefits for the community thanks to housing, community infrastructure and education projects, scholarships, etc.
- **Health and safety:** Costs for employees and their families from occupational injuries, fatalities and diseases.

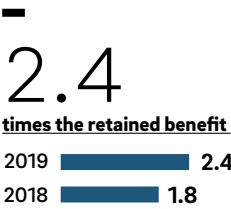
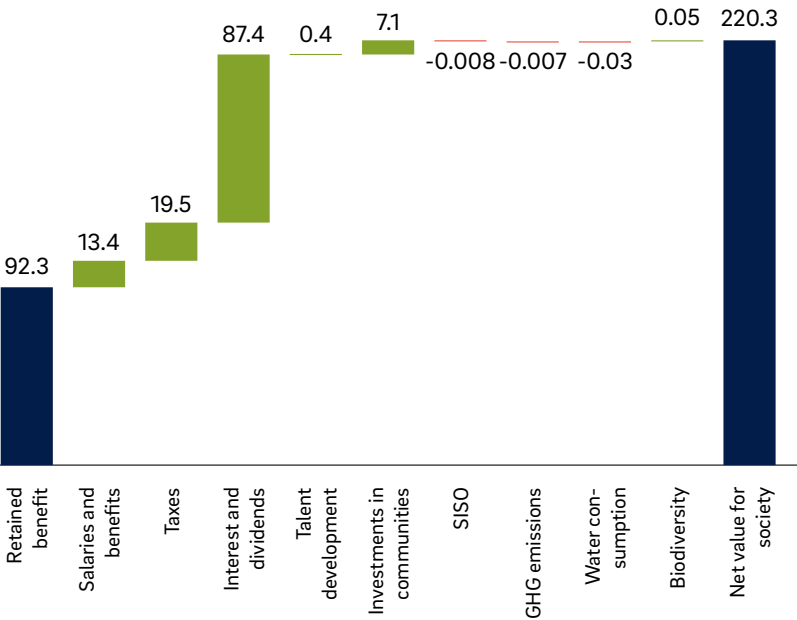
Environmental Externalities

- **Greenhouse gas (GHG) emissions:** Impact on the environment and people from GHG emissions (Scope 1 and 2 CO₂e emissions).
- **Air emissions:** Impact on people from atmospheric pollution related to NO_x, SO_x and particulate matter emissions.
- **Water consumption:** Impact on communities due to water scarcity caused by consumption.
- **Biodiversity:** Positive or negative impacts on biodiversity from mining operations and facilities, as well as offsetting and rehabilitation programs.
- **Avoided GHG emissions:** Avoided impacts on the environment and people due to initiatives such as the use of clean energy and the replacement of raw materials and fossil fuels.

To see the details, methodology and sources used in the VAS, please visit [here](#).

Results

Grupo Argos 2019 Separate Value Added Statement (VAS)



We increased the value we add to society

33% with respect to the previous year, when we added 1.8 times the value we retained

For the conversion of these figures, we used the average representative market exchange rate (TRM, for the Spanish original) of 2019, which was COP 3,283.21.

timated net value of USD 7.5 million for the social dimension.

In the environmental dimension, the main impacts are due to water consumption and greenhouse gas emissions, which together comprise an estimated social cost of USD 41,000. The result was positive in biodiversity. There was an estimated benefit of USD 48,000, mainly due to the reforestation initiatives of our urban development business and less removal of soil. The above represents an estimated positive net value of USD 7,228.

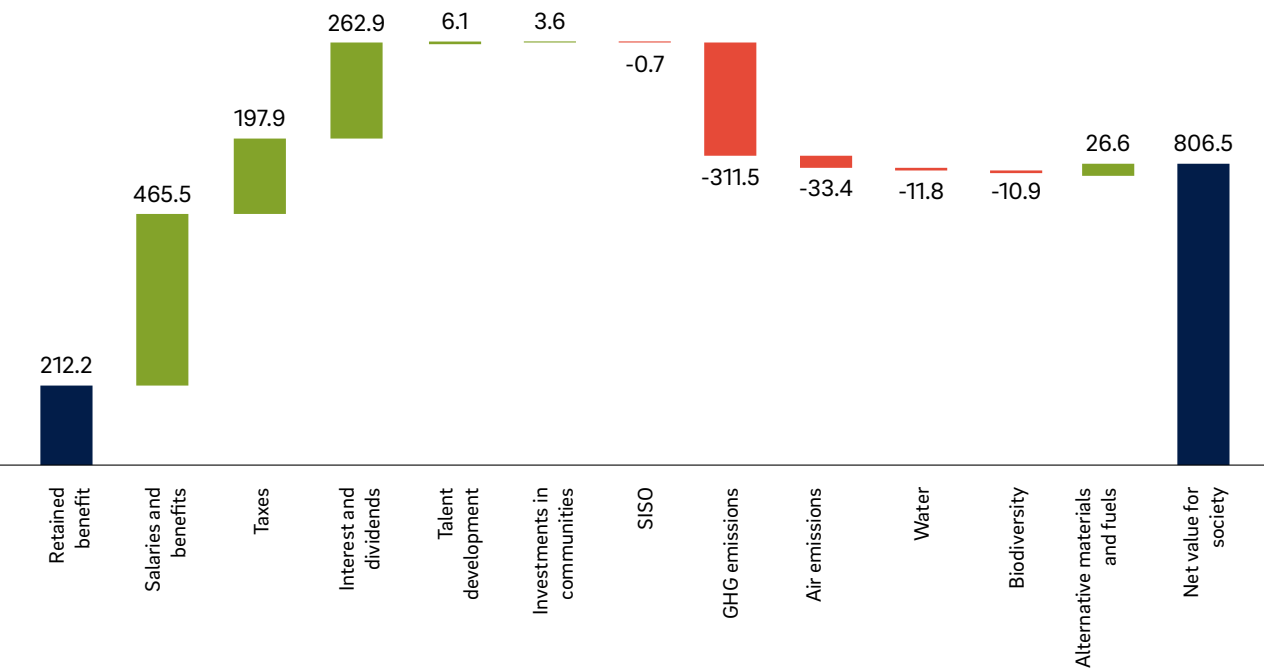
Although the environmental result is positive, we constantly work to contribute to the conservation of ecosystems through our businesses and our Fundación Grupo Argos. To date, we have planted more than six million trees over the last four years.

Conscious Investment Model

We actively work to develop specific applications aimed at achieving the three goals of our VAS model. In 2019, we integrated the VAS method into our investment processes with the aim to make our decision-making more conscious, objective and informed. This new tool integrates financial criteria with the ESG criteria, which enables a comparison of the added value in financial terms with the value added to society.

Results

Cementos Argos 2019 Value Added Statement (VAS)



For Cementos Argos, the dynamization of the economy in 2019 represented an estimated benefit of USD 926.4 million. Furthermore, estimated net benefits of USD 9.7 million were generated by its social externalities.

Greenhouse gas emissions comprised 85% of the total costs generated for society in the period, estimated at USD 311 million. This is an example that the challenge in climate change for the cement industry is immense. For this reason, as part of its environmental strategy, Cementos Argos has developed a series of initiatives that help to reduce this impact. The monetized example of these efforts is the positive impact generated by the replacement of raw materials and fossil fuels with other alternatives, which is estimated to be USD 26.6 million. For more information about its management in climate change, visit its integrated report on the website: www.argos.co.

In turn, water consumption, atmospheric emissions and impacts on biodiversity represented 3%, 9% and 3% of the total social costs, respectively. The externalities of the environmental dimension represented an estimated total net cost of USD 341 million in 2019.

Applications

Cementos Argos was one of the pioneering companies in monetizing its externalities. Parallel to this, it has focused on developing applications related to quantification of its water risk, as well as the calculations of added value for its operations in different countries. Based on this exercise, analyses have been conducted that provide essential information for its customers' decision-making.

Currently, Cementos Argos is developing these applications with the aim to keep integrating the VAS method into its decision-making.



VALUE DRIVERS



■ Celsia Solar Yumbo
Valle del Cauca, Colombia

Materiality Analysis

[102-47] The level of significance of the topics developed in this chapter was determined based on the Materiality Analysis we carried out in 2018, which was updated in 2019 with the aim to accurately reflect the six topics we consider to be our key drivers for value creation.

The prioritization process, which enabled us to establish our material topics, consists of five steps:

<p>▼</p> <p>1. Identification of Topics to Prioritize</p> <p>We made an initial compilation of topics starting with external sources, such as the Sustainable Development Goals, global trends and different sustainability standards and frameworks, as well as internal sources that include our strategy, risks and policies.</p>	<p>▼</p> <p>2. Identification of Stakeholders to Consult</p> <p>We developed an analysis to establish the ideal mechanism and the key actors to consult, who are our prioritized stakeholders. For more information, visit here.</p>	<p>▼</p> <p>3. Internal and External Inquiries</p> <p>We carried out open-dialog interviews with each one of our stakeholders, who expressed concerns and identified topics in which they could be affected.</p>
	<p>▼</p> <p>4. Prioritization</p> <p>The information obtained in the previous stages enabled us to rate and assign a level of priority to each one of the identified topics, which we understand need to be actively managed.</p>	<p>▼</p> <p>5. Validation</p> <p>We presented and validated the preliminary results with Senior Management and with our Board of Directors. The final result provides us with a roadmap that allows us to focus our resources on the important topics for everyone.</p>

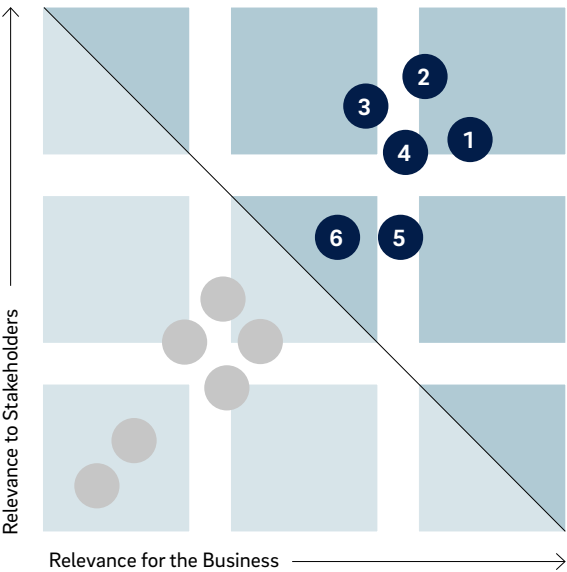
VALUE DRIVERS

During the update of our Materiality Analysis, the previous nine material topics were restated as six value drivers.

Throughout this chapter, we explain the importance of each one of these drivers, as well the way in which we managed them, our progress and the most significant milestones of 2019. Similarly, we state our vision of the future through short, medium and long-term goals, as well as the related challenges and opportunities.

Value Drivers

- **1. Strategic Oversight:** The empowerment of the Business Group's strategies through our expertise, general understanding and long-term vision, as well as our ability to promote new perspectives and synergies among our businesses.
- **2. Financial Management:** The management of our investment portfolio through adequate allocation of resources and an efficient capital structure in all the companies of our Business Group.
- **3. Ethics and Corporate Governance:** The system that establishes the correct management of our Business Group's companies, as well as the standards of ethics, conduct and transparency under which our directors, managers and employees must work.
- **4. Sustainability Vision:** The set of strategies designed to ensure conscious investment, the adoption of cutting-edge practices and responsible operations with the planet and people in all of the Group's businesses.



- **5. Identity and Engagement:** The strengthening of the Organization's reputation and effective positioning so that our stakeholders perceive, get to know, trust and support Grupo Empresarial Argos.
- **6. Talent and Culture:** The set of initiatives that aim to attract, develop and retain the best talent as part of the pillars of transcendence, integrity, inspiration and commitment that constitute the culture of our Business Group.



The contribution to the private sector is crucial for the achievement of the Sustainable Development Goals (SDGs) that comprise the United Nations 2030 Agenda. Therefore, we have conducted a prioritization exercise parallel to our Materiality Analysis in which we selected four of the 17 SDGs according to our capacity to directly contribute to the global challenges that each one represents.

For more information on alignment with the SDGs and their specific targets, please visit here.

Shareholders and Investors | Subsidiaries and Businesses | Strategic Partners | Employees | Environment | Authorities | Suppliers | Associations

1 Strategic Oversight

The empowerment of the Business Group's strategies through our expertise, general understanding and long-term vision, as well as our ability to promote new perspectives and synergies among our businesses.

María Adelaida Molina
Transformation and PMO Manager
Cementos Argos

Interviews our CEO on this value driver:

Jorge Mario Velásquez
CEO
Grupo Argos

[click here to read it](#)

Value Creation

[103-1] Our strategic oversight enables our businesses to make important and long-term investments as part of a powerful business group strategy, which we facilitate and support with capital and management.

The guidelines and assistance in our businesses' decision-making, as well as the monitoring of their disciplined implementation, enables them to respond to their different competitive situations, while ensuring continuity and focus.

Additionally, the capacity to lead our businesses to set challenging goals and integrate new perspectives and trends makes them achieve better results and constantly evolve, anticipating and generating new opportunities.

Meanwhile, the alignment of the strategies of the Business Group's different subsidiaries ensures that we all work together to achieve our purpose.

Finally, transparent access to the information and knowledge of the Business Group's other companies provides a valuable opportunity to strengthen their own capacities.

- This driver mitigates strategic risks, which enables us to:**
- **Make viable the achievement** of our companies' business plans.
 - **Have an adequate debt composition** and capital allocation.
 - **Face possible uncertainty or instability** of the economic, political and regulatory environment.
 - **Protect our reputation**, which leverages investor trust.
 - **Attract and retain human resources** with the necessary key skills.

Management approach

[103-2] Our businesses' boards of directors discuss their respective strategies, as well as their implementation. In turn, the executive teams of Grupo Argos and each subsidiary regularly meet for a Strategy Committee meeting, which aims to ensure alignment between the strategy of each company and the strategy of the Holding Company. Additionally, the CEO Committee discusses the most important aspects that have an impact on all of the Business Group's companies.

Strategic Oversight consists of active management of the comprehensive risk models. As a holding company, we actively identify, measure and manage five strategic risks under the strategic management of our Board of Directors. In turn, each subsidiary manages the specific risks of its business, which are discussed in their committees and boards of directors.

Our ongoing vocation as an active investment manager makes possible the transformation of our businesses in the long term

VALUE DRIVERS



El Dorado International Airport
Bogotá, Colombia

Goals **[103-2]**

● Permanent ● Underway ○ Not Started

- Short Term**
- We will integrate ESG criteria into our investment decision-making thanks to the implementation of a conscious investment model.
 - We will integrate ESG risks into our models with the aim to conduct more comprehensive analyses.
 - Argos will continue its plan for the divestment of non-strategic assets with the aim to reduce its debt level.

- Medium Term**
- Celsia will consolidate its non-conventional renewable energy matrix with the development of new solar and wind power projects.
 - Celsia will adopt the synergies resulting from the acquisition of Enertolima, the energy distribution business.
 - We will achieve new partnerships with strategic partners for a more efficient and flexible capital structure.
 - We will progress in the simplification and focusing of the strategic businesses.

Challenges and Opportunities

[103-3] We are convinced that infrastructure is a dynamic and promising sector and that we are a powerful player with the capacity to drive the region's growth.

Therefore, in the future, we will remain focused on the strategic coordination and strengthening of our Business Group's capacity. We will keep emphasizing selective and sustainable growth and maximization of value in our companies.

Milestones **[103-2,103-3]**

ARGOS	<ul style="list-style-type: none">• Successfully made progress in the operating efficiency program in the USA called Building Efficiency and Sustainability for Tomorrow (BEST), which enables it to prepare for new market situations.• Rationalized its footprint in the U.S. concrete business by divesting around 30 non-strategic plants for USD 95 million.
ODINSA	<ul style="list-style-type: none">• Acquired control of the Túnel Aburrá-Oriente concession for COP 335 billion, which connects two important centers of development in the department of Antioquia.• Closed 2019 with 82% progress in the Pacífico 2 road concession, 3% ahead of the initial schedule.• Achieved the passing of its private Bogotá Airport System (SAB, for the Spanish original) to the feasibility stage with an estimated investment of USD 3,200 million.
WE ENHANCED	<ul style="list-style-type: none">• The quantification of our strategic risks, which enables us to establish an order of scale and focus our actions and capital.
CELSIA	<ul style="list-style-type: none">• Acquired Enertolima for COP 1.7 trillion, which enabled it to double the number of customers served, achieving 1.1 million.• Divested the Termoflores thermal power plant, located in Barranquilla, with an installed capacity of 610 MW and it will invest in the construction of a new wellhead, gas-fired, thermal power plant with an installed capacity of 200 MW, which will give greater flexibility to its generation portfolio.• Participated in the non-conventional renewable energy auction and won the allocation to develop wind farms in north Colombia of 330 MW, which added to the multiple solar power projects underway will increase its capacity to generate non-conventional renewable energy by 768 GWh.• Made two partnerships with the Cubico Sustainable Investments company of COP 1.4 trillion to increase its solar power generation and consolidate its vertical transmission.

Shareholders and Investors | Subsidiaries and Businesses | Strategic Partners | Employees | Environment | Authorities | Suppliers | Associations

2 Financial Management

The management of our investment portfolio through adequate allocation of resources and an efficient capital structure in all the companies of our Business Group.



Ángela Hurtado
Managing Director,
Senior Country Officer
JP Morgan, Colombia

Interviews our management team on this value driver:



Eduardo Sánchez
Corporate Finance Manager
Grupo Argos

[click here to read it](#)

Value Creation

[103-1] Our proper financial management contributes to the sustainability of our businesses, to our investments reflecting their value potential and to obtaining sufficient returns that benefit our shareholders, while contributing to the economic and social development of the companies where we operate.

In this way, we simplified the Group's corporate structure, we focused and strengthened the competitive position of our strategic businesses and we relied on the transactions of mergers, acquisitions and disinvestments to foster profitable and sustainable growth.

This driver mitigates our strategic risks, which enables us to:

- **Make viable the achievement** of our companies' business plans.
- **Have an adequate debt composition** and capital allocation.
- **Face possible uncertainty or instability** of the economic, political and regulatory environment.

Milestones

[103-2, 103-3]

ARGOS –

As a result of the divestments of its non-strategic assets, reduced its gross debt by COP 430 billion and refinanced maturities for COP 1.2 trillion, equivalent to 18% of its debt.

CELSIA –

- Maintained constant its Net debt / EBITDA ratio at 2.7x and its credit rating at AA+, even after the restructuring of its portfolio, which included the acquisition of Enertolima for COP 1.7 trillion and the sale of its Termoflores thermal power plant for USD 420 million.
- Issued bonds on the local market for COP 1.1 trillion with an excess demand of 1.9x and a maximum term of 20 years.

ODINSA –

- Reduced its separate debt by 29% as a result of the cash-outs of the airport assets Opain and Quiport.
- Carried out the first corporate issuance in the last 20 years in Ecuador through Quiport for a value of USD 400 million.
- Through Opain, made a private placement of USD 415 million at a rate of 4.09%, maturing in 2026.
- Made a cash-out of the Autopistas del Café concession for COP 250 billion, which partly financed the acquisition of the Túnel Aburra-Oriente concession.

Management approach

[103-2] We constantly assess the performance of our strategic businesses and their risk management to take measures that enable full achievement of the business and investment plans. We do this through the Steering Committee, and the committees and boards of directors of Grupo Argos and its businesses.

We annually review our capital allocation model to identify challenges and opportunities and to create plans and initiatives, which are endorsed by the businesses' boards of directors. With their implementation, we aim to improve our position in the strategic industries and increase the creation of value in the invested financial capital.

Additionally, we aim to optimize the capital structure so that the businesses have financial flexibility that enables them to cover their capital needs at an efficient cost and so they can adequately implement their strategies in the medium and long term.

VALUE DRIVERS



Cuestecitas substation
La Guajira, Colombia

Progress [103-3, GA-EF 01]

Consolidated income

COP **16.8** trillion
for a growth of 18% from 2018; the EBITDA, COP 4.8 trillion (+21%); and the net profit of the controlling company, COP 690 billion (+3%).

We increased the average life of the debt:

2018: 4.9 years
2019: 6.4 years

We decreased the real cost of the debt:

2018: 3.6%
2019: 3.2%

We reduced the controllable expenses annually by

5%
2015-2019

WE ISSUED –

Bonds for COP 450 billion on the local market with an excess demand of 2.5 times, the highest among issuers of the real sector. This has enabled us to extend debt maturities until 2022 and increase the average life to 6.4 years, with a stable cost at 7%, maintaining a constant Net debt / Dividends ratio of 2.7 times.

WE INCREASED –

The differential between the dividends received and paid, amounting to COP 293 billion. This is thanks to the enhancement of the capital structure inside our concessions business, through cash-outs of airport assets, which meant we received COP 94 billion in extraordinary dividends from Opain in 2019.

Goals [103-2]

● Permanent ● Underway ○ Not Started

Short Term

- We will maintain a Debt/Dividends ratio ≤ 3.5x.
- We will maintain a positive primary deficit*.

Medium Term

- We will achieve annual improvements in the ROCE indicator in the next three years.
- We will maintain the Holding Company's credit rating at AAA in Fitch Ratings.
- Over the next five years, we will achieve savings in the companies' mutual services through SUMMA of COP 100 billion and a zero growth effect in service costs in migrated processes.

Long Term

- We will maintain the AAA investment grade from Fitch Ratings.

*Primary deficit = free operating cash flow - taxes - interest - dividends.

Challenges and Opportunities

[103-3] To have a strong financial position during exogenous events, it is essential to maintain a balance between supporting the subsidiaries' growth plans and the balanced capital structure of the Holding Company. The above requires financial discipline, understanding that each subsidiary is at a different stage of maturity and that the future distribution of dividends will tend to stabilize, probably without extraordinary distributions like in the past.

3 Ethics and Corporate Governance

The system that establishes the correct management of our Business Group's companies, as well as the standards of ethics, conduct and transparency under which our directors, managers and employees must work.



Oliver Orton
Regional Advisory Manager,
Corporate Governance / ESG,
Latin America and the Caribbean
International Finance Corporation
(IFC), World Bank Group

Interviews our management team on this value driver:



Rafael Olivella
Chief Officer of
Human Resources and
Corporate Affairs
Grupo Argos

[click here to read it](#)

Value Creation

[103-1] Having strong corporate governance and compliance systems fosters an environment of trust and transparency to maintain long-term relations with our stakeholders and ensure integrity in the businesses.

To ensure sustainability, we stay at the cutting edge, implementing the best practices, which allows us to define an expected behavior parameter and have current and dynamic Corporate Governance and compliance systems.

This driver mitigates our strategic risks, which enables us to:

- **Make viable the achievement** of our companies' business plans.
- **Protect our reputation**, which leverages investor trust.
- **Attract and retain human resources with the necessary key skills.**

Management Approach **[103-2]**

Ethics

The Compliance System is structured through unequivocal statements in the Business Code of Conduct about our commitment to transparency and good action in the businesses.

[102-17] Furthermore, we established the supporting mechanisms of the system, which are summarized in the commitment of the Organization's executives, in an effective Transparency Hotline and in the adequate monitoring of the corrective measures that can result from the reports made through it.

[102-16] Integrity, ethics and transparency are everyone's responsibility. We motivate our stakeholders to live and breathe these values throughout Grupo Empresarial Argos. To achieve this, we have a governance structure called the Compliance System with the participation of members of Senior Management of Grupo Argos and its companies. This enables us to maintain unity of criteria, collectively and constantly analyzing best practices to promote a culture of risk prevention and ensure that sufficient resources are allocated for the good operation of the system.

Corporate Governance

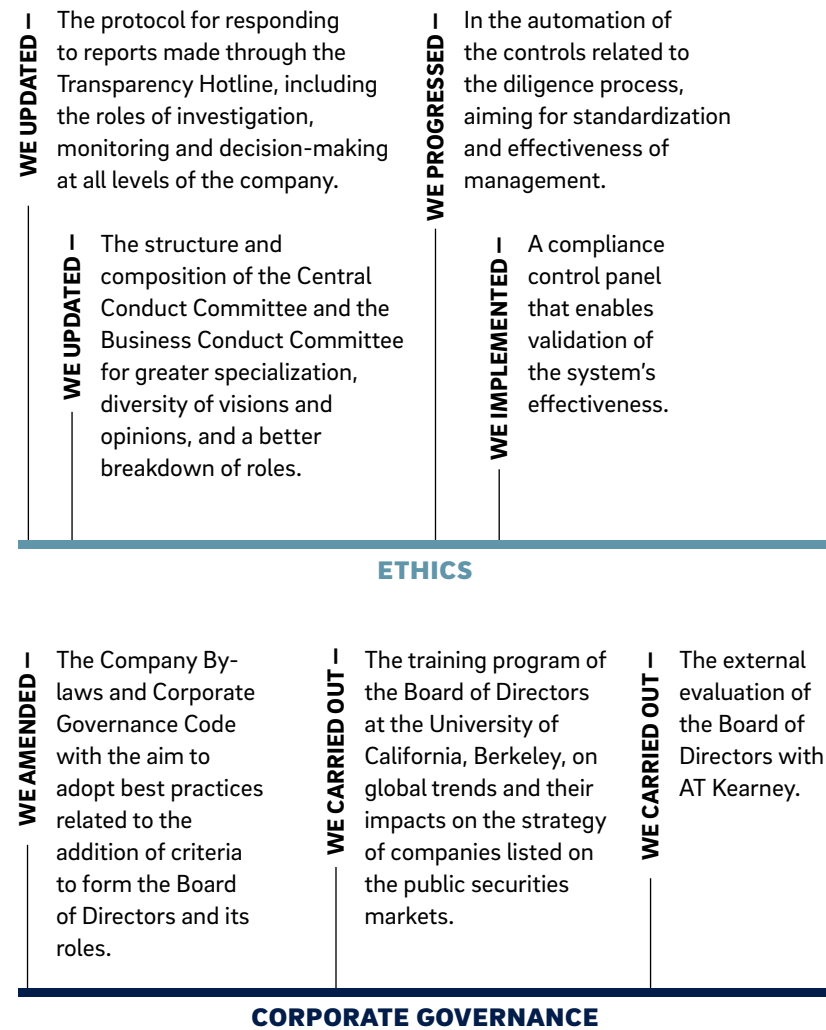
Through our Corporate Governance Code we establish transparent management mechanisms with shareholders, the market and society in general.

We have the visions of patrimonial and independent members in our boards of directors, contributing to the due guidance of each one of the companies, generating positive results and ensuring an adequate corporate governance system.

For the 7th year in a row, we obtained the Investor Relations recognition from the Colombian Securities Exchange

VALUE DRIVERS

Milestones **[103-2,103-3]**



Progress **[103-3]**

43%
[405-1] Participation of women in the Board of Directors

7.5 years
Time on average of Board Members

98%
Attendance of members at Board meetings

100%
Compliance with the Board of Directors action plan

Challenges and Opportunities

[103-3] The changing dynamics of the markets and regulations enable us to maintain increasingly more automated control mechanisms, which enable us to anticipate in real time the risks that arise in the environments where we operate.

Considering the different stages of development of each one of our businesses, we see the opportunity to constantly progress in the review and implementation of the applicable corporate governance practices in the market contexts in which we participate. For this, we have a work model of the Business Group, which facilitates relations with the businesses and the implementation of these initiatives.

Goals **[103-2]**

● Permanent ● Underway ○ Not Started

Short Term

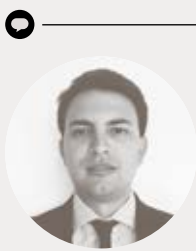
- We will progress in the strengthening of the Compliance System through ongoing communication of the items that comprise it and its adequate management.
- We will keep implementing the Policy for the Management of Operations with Related Companies.

Medium Term

- We will maintain active participation in forums, such as the Latin American Companies Circle Corporate Governance Roundtable, the Issuers Committee of the Colombian Stock Exchange and the Colombian Corporate Governance Institute.
- We will continue the process of harmonizing the applicable corporate governance practices inside Grupo Empresarial Argos.

4 Sustainability Vision

The set of strategies designed to ensure conscious investment, the adoption of cutting-edge practices and responsible operations with the planet and people in all of the Group's businesses.



Eduardo Atehortúa
Head of LATAM
Principles for Responsible Investment (PRI)

Interviews our management team on this value driver:



Camilo Abello
Senior Director of Sustainability
Grupo Argos

[click here to read it](#)

Value Creation

[103-1] We acknowledge the fact that by having a positive impact on our economy, our planet and the people who live in it, we are creating value for society in general, which also translates into greater value for our Company in the long term.

Our conviction to do business sustainably enables us to take advantage of the new transformational forces of our environment, such as the transition to a circular and low carbon economy, as well as awareness of responsible consumption and investment. These constitute great opportunities that play an essential role in our path to transformation and growth.

In turn, our efforts to minimize the negative impacts of our activities and maximize the positive ones benefit all our stakeholders and at the same time, enable the Business Group's businesses to be more resilient to risks and to be sustainable.

This driver mitigates our strategic risks, which enables us to:

- **Make viable the achievement** of our companies' business plans.
- **Face possible uncertainty or instability** of the economic, political and regulatory environment.
- **Protect our reputation**, which leverages investor trust.

Management Approach

[103-2] Each one of our businesses has a differentiated sustainability strategy that responds to the operating and market situations. However, all of them are part of the Grupo Argos Sustainability Vision, which is comprised of three pillars that enable us to maintain unity of criteria and management as a business group.

Conscious investment: We invest in businesses that contribute to the solution of global challenges and ensure the long-term creation of value for both the Company and society.

Cutting-edge practices: We develop innovative solutions with the aim to empower our current business models while we capitalize on new investment opportunities.

Responsible operation: We transform capitals in a balanced way, aiming to minimize our negative impacts and maximize our positive impacts in economic, environmental and social matters.

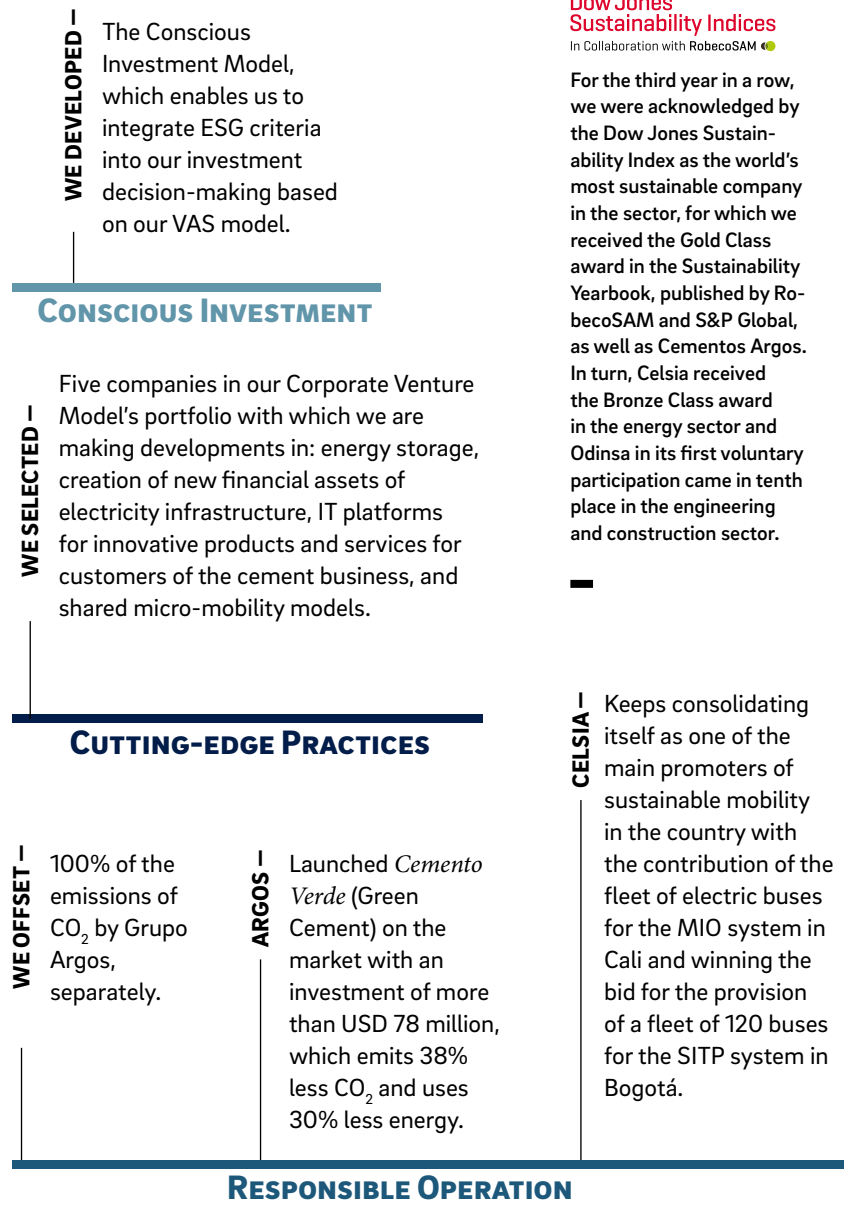
With the aim to establish our Responsible Operation pillar, we prioritized seven topics that we consider to be material across all our businesses.

1. Climate Change
2. Water
3. Ecosystems
4. Talent
5. Occupational Health and Safety
6. Ethics, Conduct and Transparency
7. Corporate Governance

Each company measures its performance, establishes its targets and designs individual action plans. The progress in these seven topics is presented on the following page, both separately and in a consolidated way.

VALUE DRIVERS

Milestones **[103-2,103-3]**



Challenges and Opportunities

[103-2] In light of the challenge we are experiencing of the transition to a low-carbon economy, it is necessary to coordinate a strong climate change strategy, mitigate the related physical risks and risks of transition, and take advantage of the opportunities that arise. The dynamics of the markets and the trend towards responsible consumption

lead us to focus not only on incremental innovations, but also on radical and disruptive innovations. In this area, our cutting-edge practices must consider alignment with the strategy, governability, capacity to gain value, risk management and new consumption trends.

Goals **[103-2]**

● Permanent ● Underway ○ Not Started

Short Term

- We will carry out the pilot of our Conscious Investment Model in an acquisition or project.
- We will extend the coverage of our survey of VAS externalities to other companies of the Business Group.
- We will collectively create a unified climate change strategy for the Business Group.
- We will integrate the ESG risks into our current risk models with emphasis on the risks resulting from climate change.
- We will review the responsible operations goals for the Business Group in light of recent progress.
- We will publish a compilation of important information for our investors in a document called ESG Databook.

Medium Term

- We will consolidate the net value we add to society as a Business Group.
- We will achieve co-creation between the actors of the Venture Model with the aim to develop disruptive products and services.
- We will assess the investments of the Venture program to determine possible reinvestments or turn-overs of the portfolio.

Long Term

- We will apply our Conscious Investment Model to all our acquisitions and projects.

Responsible Operation of the Business Group



For more information about this topic, please visit:
www.argos.co/sostenibilidad/reporte-anual
www.celsia.com/es/sostenibilidad/reportes
www.odinsa.com/sostenibilidad/

CLIMATE CHANGE

Launch of Cemento Verde (Green Cement)

↓38%

CO₂ emissions and ↓30% energy consumption

Reduction

↓15% CO₂ emissions, 2006 baseline

TARGET

Reduce

↓25%

tons of CO₂ per ton of cement material by 2025, 2006 baseline

Acknowledgment

of Business Leadership, "The First 100 for the Climate" awarded by the Panamanian Ministry of the Environment

Reduction

↓50%

CO₂ emissions, 2015 baseline

TARGET

Reduce

↓25%

tons of CO₂ per GWh by 2025, 2015 baseline

Certification

CARBON ACCREDITATION PROGRAM

El Dorado International Airport:

Level 2 (Reduction)

Mariscal Sucre International Airport: Level 3+ (Neutrality)

ECOSYSTEMS

Certifications

WILDLIFE HABITAT COUNCIL for the four cement plants and five terminals in the United States

Established Plans

78% of active and inactive quarries have a rehabilitation plan

68% of quarries in areas of high biodiversity value have a management plan for biodiversity

Rehabilitated Areas

87% of the area freed up from quarries has been rehabilitated

TARGET

Establish plans

100% of quarries with a rehabilitation plan to 2025

85% of quarries in areas of high biodiversity value with a management plan to 2025

Free up and Rehabilitate

85% of the area freed up from quarries will be rehabilitated by 2025

Planting

4.3 million

trees with the ReverdeC program from 2016

TARGET

Plant

10 million trees by 2025 with the ReverdeC program

Conserve

4 species by 2020: wax palm, river turtle, poison dart frog and golden frog

Planting

240 thousand

trees in the Pacifico 2 concession and location of fauna tracks

WATER

Reduction

↓25% Water consumption in cement

↓14% Water consumption in concrete from 2015

Recirculation

99% of the water used

TARGET

Reduce

256 lt/ton and 216 lt/m³ in water consumption in cement and concrete, respectively, by 2025

Optimization

89 million m³

of water in hydroelectric power generation

Recirculation

25% of water for thermal power generation in the Termoflores power plant (asset divested in 2019)

TARGET

Optimize

124 million m³

of water in hydroelectric generation between 2016 and 2020

Reduction

↓43%

water consumption, equivalent to 4,119 m³ in Autopistas del Café

TALENT

Gender Equality

29%

of the leadership positions are filled by women

Geographical Diversity

39%

of employees in executive and managerial positions are not of Colombian nationality

TARGET

Gender Equality

↑35% proportion of women in leadership positions by 2025

Geographical Diversity

50% of employees in executive and managerial positions will not be of Colombian nationality by 2025

Acknowledgment

GOLD SEAL in gender equality for operations in Panama

6TH

best company to work for in Colombia according to Great Place to Work

HEALTH AND SAFETY

"Yo Prometo (I Promise)" program

32.9 Severity Index of employees and contractors

1.34 Frequency Index of employees and contractors

↓38% Absenteeism due to general illness of employees and contractors

TARGET

Frequency

Reduce the Frequency Rate to 1.2 by 2020

Reduce injuries 50% by 2025, 2019 baseline

Reduce absenteeism due to general illness 15% by 2025, 2019 baseline

"Yo Elijo Cuidarme (I Choose to Look after Myself)" program

↓39% Frequency Rate among employees

↓32% Severity Rate among employees,

TARGET

Severity and Frequency

↓10% the two indexes among employees and contractors by 2021, 2019 baseline

Frequency

↓21.8% and ↓57.3% among employees and contractors, respectively, 2019 baseline

ETHICS, CONDUCT AND TRANSPARENCY

Compliance System

67% of employees with knowledge of the Code of Conduct certified

65% of employees completed the conflict of interest declaration

80% of employees completed the declaration of assets and income

Compliance System

71% of employees with knowledge of the Code of Conduct certified

78% of employees completed the conflict of interest declaration

100% of employees completed the declaration of assets and income

Compliance System

100%

of employees completed the three transparency mechanisms:

Certification of knowledge of the Code of Conduct

Conflict of interest declaration

Declaration of assets and income

Acknowledgment

5th year

in a row accredited with the IR Seal of the Colombian Securities Exchange for adopting best practices in information disclosure and investor relations

5th year

in a row certified as a Known and Recurrent Issuer by the Financial Superintendence of Colombia

Acknowledgment

7TH year

in a row accredited with the IR Seal of the Colombian Securities Exchange for adopting best practices in information disclosure and investor relations

For more information about our responsible operations targets, please visit here.

All variations shown correspond to 2018 vs. 2019, except when otherwise indicated.

Ethics, Conduct and Transparency

100% of our employees will annually complete the three mechanisms of the Compliance System

Ongoing Target

100% of employees completed the three mechanisms

Talent

Gender Diversity

405-1 Achieve 27% participation of women in Senior Management

2017 Baseline

22% participation of women in Senior Management

Employee Engagement

IGA-VS04 Increase to 90% the score in employee engagement

Ongoing Target

89% level of employee engagement

Water

IGA-VS01 Reduce by 50% water consumption in m³ / COP million of income

2015 Baseline

↓57% m³ of water consumed / COP million of income

Ecosystems

IGA-VS02 Protect 100% of important water supply sources for operations classified as high risk (10 sources)

2018 Baseline

80% 8/10 of supply sources protected

Climate Change

305-4 Reduce by 20% the direct CO₂ emissions / COP million of income

2015 Baseline

↓39% tons of CO₂ / COP million of income

2025 Target 2019 Progress

2025 Target 2019 Progress

5Identity and Engagement

The strengthening of the Organization's reputation and effective positioning so that our stakeholders perceive, get to know, trust and support Grupo Empresarial Argos.



Miguel Ángel Herrera
CEO and Partner
Agora Public Affairs

Interviews our management team on this value driver:



Iván Trujillo
Manager of Institutional Relations and Communications
Grupo Argos

[click here to read it](#)

Value Creation

[103-1] The proactive and strategic management of the institutional relations and reputation contributes to knowledge, admiration, trust and support of Grupo Argos and its businesses among stakeholders. This enables us to attract and retain the best talent, generate transparent, long-term relations of trust, and have an adequate level of engagement with all our stakeholders. Additionally, it facilitates access to business networks and multiple synergies to empower our two strategic pillars: Selective and Profitable Growth and Maximization of Value for Everyone.

This driver mitigates our strategic risks, which enables us to:

- **Face possible uncertainty or instability** of the economic, political and regulatory environment.
- **Protect our reputation**, which leverages investor trust.
- **Attract and retain human resources** with the necessary key skills.

Milestones

[103-2, 103-3]

WE IMPLEMENTED –
Partnerships of more than COP 1,200 million.

WE DEVELOPED AND WE BUILT –
The narrative to position the brand aimed at communicating the four strategic focus points: infrastructure, talent and culture, sustainability and the central work line of Fundación Grupo Argos.

WE CARRIED OUT –
Three studies to assess the reputation, identifying our strength in our positioning as a multinational company with a good economic performance and recognition for its international dimension.

Management Approach

[103-2] We develop this strategy through five fronts:

- **Institutional relations:** Strengthen connections with professional associations, authorities and opinion leaders to build transparent, long-term relations of trust.
- **Internal communications:** Develop mechanisms, experiences, channels and strategies to drive the Business Group's cultural transformation.
- **External communications:** Strengthen connections with our stakeholders, spreading information through mass media and our own channels.
- **Brand:** position Grupo Argos as an umbrella and supporting brand to facilitate the transfer of value with the aim to empower the businesses' positioning capacity.
- **Coordination:** We coordinate and align the strategies to build reputation and presence in the Business Group's brand.

VALUE DRIVERS

Progress

[103-3]

We developed partnerships to strengthen the journalistic exercise in Colombia through the Visionarios (Visionaries) program with the El Colombiano newspaper and the Semana-Grupo Argos Regional Journalism Award.

We carried out a survey of our reputation's baseline.

More than 700 positive news items published by media outlets.

Our CEO, Jorge Mario Velásquez, ranked as one of the ten Colombian business leaders with the best reputation.

60% of the information published by the Company is about topics related to the sustainability of the Business Group and the work carried out by Fundación Grupo Argos.



WE RENOVATED –
The website, we redefined the digital brand strategy and we restructured our internal communications platform.

WE BUILT –
A mechanism for monitoring the economic, legislative and regulatory environment that can have an important impact on Grupo Argos and its strategic businesses.



Grupo Argos offices
Bogotá, Colombia

Goals

[103-2]

● Permanent ● Underway ○ Not Started

Short Term

- We will develop the positioning campaign of the Grupo Argos brand.

Medium Term

- Together with the Human Resources team, we will achieve the cultural transformation of Grupo Argos in all businesses and regions.

Long Term

- We will position Grupo Argos as a socially relevant company that contributes to the economic, environmental and social development of Colombia.

Challenges and Opportunities

[103-3] Keep progressing in the positioning of Grupo Argos in public opinion as an important actor in the infrastructure sector.

Achieve that our stakeholders know about and receive the contributions that Grupo Argos makes to social development and environmental conservation.

Drive the differentiation of Grupo Argos with its businesses' brands.

Talent and Culture

The set of initiatives that aim to attract, develop and retain the best talent as part of the pillars of transcendence, integrity, inspiration and commitment that constitute the culture of our Business Group.



José Erlin Guerrero
Socio-Environmental Director
Grupo Argos

Interviews our management team on this value driver:



Vivian Garcés
Talent and Culture Manager
Grupo Argos

[click here to read it](#)

Value Creation

[103-1] The proper management of talent and culture among the Company's employees promotes and facilitates the behaviors required to achieve the Grupo Argos Strategy. This leverage drives the development of comprehensive leaders and the formation of diverse and efficient teams committed to the purpose of positively transforming millions of lives through investments in infrastructure.

This driver mitigates our strategic risks, which enables us to:

- **Protect our reputation**, which leverages investor trust.
- **Attract and retain talent with the necessary key skills.**

Employees [102-7]

	Men	Women	Total
Grupo Argos	36	49	85
Cement	6,614	1,033	7,647
Energy	1,370	571	1,941
Concessions	1,861	803	2,664
Coal	32	11	43
SUMMA	180	292	472
Total	10,093	2,759	12,852

Management Approach [103-2]

We develop this strategy from the following fronts:

- We we implement a strategy for talent attraction, retention and development.
- We lead the cultural transformation of the Organization and promote diversity.
- We promote the development of our talent with processes such as training, feedback, performance appraisals and comprehensive compensation. We particularly support the development of our key talent for the successful succession of critical positions at Grupo Empresarial Argos.
- We ensure the development of the best IT and administrative resources so that our employees have all the tools to develop their work.
- We ensure the personal and professional well-being and growth of our talent, making them committed to and proud of working for Grupo Empresarial Argos.
- We align our compensation systems with the organizational objectives so that our human resources progress toward achievement of the strategy.

Grupo Empresarial Argos Progress [103-3]

More than 1,100 Potential Talent Assessments performed, to strengthen our employees' career and succession plans (24% increase)

Women in the key talent pool
■ 26% in 2017
■ 42% in 2019

[405-1] Women in senior management positions
■ 21% in 2017
■ 22% in 2019

We increased by **6% the number of employees** of different nationalities from 2017

182 employees in the key talent pool and with a development plan underway, 35% of them ready for executive positions.

More than **100** women have participated in leadership programs for equality and inclusion since 2017.

More than **700** online courses on 11 areas of knowledge.

602 employees moved among our businesses in the last three years (increase of 39% from 2018).

Milestones [103-2,103-3]



Goals [103-2]

● Permanent ● Underway ○ Not Started

Short Term

- We will strengthen the appropriation of the culture pillars for the Business Group.
- We will execute the Employer Brand strategy for the Business Group.
- We will design career plans for 100% of our employees.
- We will design and launch the Business Group's leadership program.

Medium Term

- We will assess and transform the talent attraction and retention processes to ensure their competitiveness in the future of the work.

Long Term

- We will increase the presence of women in Senior Management from 21% in 2017 to 27% in 2025 to achieve greater gender equality and enrich the decision-making processes.

Grupo Argos Progress [103-3]

45 training hours on average per employee per year.

100% of our critical vacancies were filled with in-house staff.

Challenges and Opportunities

[103-3] Consolidate our Group's culture framed in the pillars of commitment, integrity, inspiration and transcendence to keep materializing our higher purpose.

Adjust the processes of attraction, development and retention of talent to support the achievement of our strategy according to the requirements of the environment, the new generations and the future of the work.

Keep developing a diverse and trained group of successors for critical positions within the Business Group.



CONSOLIDATED FINANCIAL STATEMENTS

Grupo Argos S.A. and subsidiaries

Consolidated Statement of Financial Position

As at December 31 | In millions of Colombian pesos

	Notes	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents	6	2,474,008	2,647,532
Derivative financial instruments	7	5,786	10,392
Trade and other accounts receivable	8	2,653,211	2,124,022
Inventories, net	9	1,252,938	1,291,909
Tax assets	10	359,762	383,767
Biological assets	20	9,157	9,360
Other financial assets	11	123,626	72,948
Prepaid expenses and other non-financial assets	12	195,625	244,963
Current assets		7,074,113	6,784,893
Non-current assets held for sale	13	76,744	40,030
TOTAL CURRENT ASSETS		7,150,857	6,824,923
Non-current assets			
Trade and other accounts receivable	8	2,493,612	2,632,020
Inventories, net	9	37,204	36,747
Goodwill	14	3,011,272	3,142,650
Right-to-use assets (property, plant and equipment), net	22	1,071,329	-
Intangible assets, net	15	4,974,447	3,958,849
Property, plant and equipment, net	16	19,082,640	19,332,437
Investment properties	17	2,317,216	2,298,386
Investments in associates and joint ventures	18	8,919,368	8,653,207
Derivative financial instruments	7	3,675	309
Deferred tax	10	481,596	515,693
Biological assets	20	48,444	48,225
Other financial assets	11	1,286,634	1,193,298
Prepaid expenses and other non-financial assets	12	120,140	11,137
TOTAL NON-CURRENT ASSETS		43,847,577	41,822,958
TOTAL ASSETS		50,998,434	48,647,881

Grupo Argos S.A. and subsidiaries

Consolidated Statement of Financial Position

As at December 31 | In millions of Colombian pesos

	Notes	2019	2018
LIABILITIES			
Current liabilities			
Borrowings	21	1,587,714	2,613,133
Lease liabilities	22	164,605	-
Employee benefit liabilities	23	250,091	241,141
Provisions	24	336,153	337,855
Trade and other accounts payable	25	2,734,393	2,449,899
Tax liabilities	10	266,715	210,324
Derivative financial instruments	7	16,353	525
Bonds and compound financial instruments	26	951,924	665,719
Other financial liabilities		16,030	-
Other non-financial liabilities	27	460,758	484,219
TOTAL CURRENT LIABILITIES		6,784,736	7,002,815
Non-current liabilities			
Borrowings	21	5,118,140	6,364,008
Lease liabilities	22	898,276	-
Deferred tax	10	1,361,035	1,345,771
Employee benefit liabilities	23	441,254	435,568
Provisions	24	238,392	306,615
Trade and other accounts payable	25	268,515	278,509
Derivative financial instruments	7	48,719	22,750
Bonds and compound financial instruments	26	8,838,335	6,854,570
Other non-financial liabilities	27	510,775	464,538
TOTAL NON-CURRENT LIABILITIES		17,723,441	16,072,329
TOTAL LIABILITIES		24,508,177	23,075,144

Grupo Argos S.A. and subsidiaries

Consolidated Statement of Financial Position


As at December 31 | In millions of Colombian pesos

	Notes	2019	2018
EQUITY			
Share capital	28	53,933	53,933
Share issue premium	28	1,354,759	1,354,759
Retained earnings		9,022,034	9,147,229
Reserves	29	3,513,161	3,001,515
Income for the year		689,565	671,327
Other equity components	30	(165,142)	(178,650)
Other comprehensive income	29	2,364,976	2,375,778
Equity attributable to majority shareholders		16,833,286	16,425,891
Minority holdings	32	9,656,971	9,146,846
TOTAL EQUITY		26,490,257	25,572,737
TOTAL LIABILITIES AND EQUITY		50,998,434	48,647,881

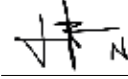
The accompanying notes are an integral part of the consolidated financial statements.



Jorge Mario Velásquez Jaramillo
CEO | Registered Agent
(See attached certificate)



Claudia Patricia Álvarez Agudelo
Accountant | Professional License No. 69447-T
(See attached certificate)



Johana Novoa Cucunuba
Statutory Auditor | Professional License No. 166943-T
Member of KPMG S.A.S.
(See report dated February 26, 2020)

Grupo Argos S.A. and subsidiaries

Consolidated Statement of Income

Years ending on December 31 | In millions of Colombian pesos, except for earnings per share


	Notes	2019	2018
Revenue from ordinary activities	33	16,798,588	14,294,675
Cost of ordinary activities	34	(12,265,012)	(10,211,393)
Gross profit		4,533,576	4,083,282
Administration expenses	35	(1,572,758)	(1,350,938)
Sales expenses	36	(280,020)	(262,184)
Structural expenses		(1,852,778)	(1,613,122)
Other income (expenses), net	37	395,675	129,551
Profit from operational activities		3,076,473	2,599,711
Financial expenses, net	38	(1,213,041)	(1,062,686)
Profit before tax		1,863,432	1,537,025
Income tax	10	(607,295)	(342,907)
NET PROFIT		1,256,137	1,194,118

Attributable to:			
Majority holdings		689,565	671,327
Minority holdings		566,572	522,791
Earnings per share of continuing operations (*)	39		
Attributable to the ordinary controlling company's shareholders:			
Basic (*)		804	783
Diluted (*)		804	783

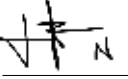
*Figures in Colombian pesos The accompanying notes are an integral part of the consolidated financial statements.



Jorge Mario Velásquez Jaramillo
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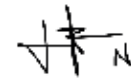
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Grupo Argos S.A. and subsidiaries

Consolidated Statement of Other Comprehensive Income

Years ending on December 31 | In millions of Colombian pesos

	2019	2018
NET PROFIT	1,256,137	1,194,118
Entries that will not be reclassified after presenting the income for the period	81,980	(175,185)
Gains and losses from equity investments	83,847	(192,300)
Deferred taxes on equity investments	219	(493)
New measurements of employee defined benefit liabilities	(19,969)	236
Deferred taxes for employee defined benefits	5,274	1,998
Gains and losses due to property, plant and equipment revaluation	(487)	391
Deferred tax due to property, plant and equipment revaluation	93	109
Share in associates and joint ventures, net	13,003	14,874
Entries that will be reclassified after presenting the income for the period	(71,863)	763,477
Earnings from cash flow hedging instruments, net	12,011	(95,218)
Deferred taxes from cash flow hedges	9,305	60,741
Exchange difference when converting foreign operations	(25,164)	816,306
Deferred tax when converting foreign operations	(1,029)	4,344
Share in associates and joint ventures, net	(66,986)	(22,696)
OTHER COMPREHENSIVE INCOME, AFTER TAX	10,117	588,292
TOTAL COMPREHENSIVE INCOME	1,266,254	1,782,410
Attributable to:		
Majority holdings	688,668	893,673
Minority holdings	577,586	888,737

The accompanying notes are an integral part of the consolidated financial statements.

Grupo Argos S.A. and subsidiaries

Consolidated Statement of Changes in Equity

Years ending on December 31 | In millions of Colombian pesos

	Capital and share issue premium	Legal reserve	Other reserves	Other comprehensive income	Accumulated income and income for the period	Other equity components	Attributable to controlling shareholders	Minority holdings	Total equity
PRESENTED BALANCE AS AT DECEMBER 31, 2017	1,408,692	29,665	2,800,179	2,159,131	9,655,665	(7,225)	16,046,107	8,261,041	24,307,148
Cumulative effect of the adoption of new standards (Note 3.1.1)	-	-	-	-	(21,284)	-	(21,284)	(4,076)	(25,360)
Cumulative effect of the adoption of new standards by means of the equity method for associates and joint ventures (Note 3.1.1)	-	-	-	-	(33,388)	-	(33,388)	(4,562)	(37,950)
Adjusted balance as at January 1, 2018	1,408,692	29,665	2,800,179	2,159,131	9,600,993	(7,225)	15,991,435	8,252,403	24,243,838
Income for the period	-	-	-	-	671,327	-	671,327	522,791	1,194,118
Other comprehensive income for the period, after tax	-	-	-	222,346	-	-	222,346	365,946	588,292
Comprehensive income for the period	-	-	-	222,346	671,327	-	893,673	888,737	1,782,410
Issuance of capital and convertible instruments	-	-	-	-	-	-	-	697,513	697,513
Ordinary cash dividends declared	-	-	-	-	(211,691)	-	(211,691)	(405,744)	(617,435)
Preferred cash dividends declared	-	-	-	-	(69,479)	-	(69,479)	(23,174)	(92,653)
Appropriation of reserves	-	-	171,671	-	(171,671)	-	-	-	-
Equity method for associates and joint ventures	-	-	-	-	-	4,036	4,036	631	4,667
Transfer from other comprehensive income to accumulated earnings	-	-	-	(5,708)	-	5,708	-	-	-
Purchase and sale of minority holdings	-	-	-	-	-	(172,982)	(172,982)	(212,084)	(385,066)
Other variations	-	-	-	9	(923)	(8,187)	(9,101)	(51,436)	(60,537)
BALANCE AS AT DECEMBER 31, 2018	1,408,692	29,665	2,971,850	2,375,778	9,818,556	(178,650)	16,425,891	9,146,846	25,572,737

Grupo Argos S.A. and subsidiaries

Consolidated Statement of Changes in Equity

Years ending on December 31 | In millions of Colombian pesos

	Capital and share issue premium	Legal reserve	Other reserves	Other comprehensive income	Accumulated income and income for the period	Other equity components	Attributable to controlling shareholders	Minority holdings	Total equity
PRESENTED BALANCE AS AT DECEMBER 31, 2018	1,408,692	29,665	2,971,850	2,375,778	9,818,556	(178,650)	16,425,891	9,146,846	25,572,737
Cumulative effect of the adoption of new standards (Note 3.1.2)	-	-	-	-	5,595	-	5,595	5,928	11,523
Adjusted balance as at January 1, 2019	1,408,692	29,665	2,971,850	2,375,778	9,824,151	(178,650)	16,431,486	9,152,774	25,584,260
Income for the period	-	-	-	-	689,565	-	689,565	566,572	1,256,137
Other comprehensive income for the period, after tax	-	-	-	(897)	-	-	(897)	11,014	10,117
Comprehensive income for the period	-	-	-	(897)	689,565	-	688,668	577,586	1,266,254
Issuance of capital and convertible instruments	-	-	-	-	-	-	-	164,496	164,496
Ordinary cash dividends declared	-	-	-	-	(225,890)	-	(225,890)	(520,243)	(746,133)
Preferred cash dividends declared	-	-	-	-	(74,140)	-	(74,140)	(24,638)	(98,778)
Appropriation of reserves	-	-	511,646	-	(511,646)	-	-	-	-
Equity method for associates and joint ventures	-	-	-	-	-	53,039	53,039	5,313	58,352
Transfer from other comprehensive income to accumulated earnings	-	-	-	(9,797)	9,797	-	-	-	-
Purchase and sale of minority holdings	-	-	-	-	-	(36,789)	(36,789)	(99,522)	(136,311)
Business combinations	-	-	-	-	-	-	-	446,220	446,220
Other variations	-	-	-	(108)	(238)	(2,742)	(3,088)	(45,015)	(48,103)
BALANCE AS AT DECEMBER 31, 2019	1,408,692	29,665	3,483,496	2,364,976	9,771,599	(165,142)	16,833,286	9,656,971	26,490,257

The accompanying notes are an integral part of the consolidated financial statements.



Jorge Mario Velásquez Jaramillo
CEO | Registered Agent
(See attached certificate)



Claudia Patricia Álvarez Agudelo
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(See attached certificate)



Johana Novoa Cucunuba
Statutory Auditor | Professional License No. 166943-T
Member of KPMG S.A.S.
(See report dated February 26, 2020)

FINANCIAL STATEMENTS

Grupo Argos S.A. and subsidiaries

Consolidated Statement of Cash Flows

Years ending on December 31 | In millions of Colombian pesos

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	1,256,137	1,194,118
Adjustments for:		
Income from dividends and shares	(49,033)	(55,103)
Income tax expenses recognized in the income for the period	607,295	342,907
Share in results of associates and joint ventures	(488,763)	(485,181)
Financial expenses recognized in the statement of income for the period, net	977,001	837,854
Expenses recognized for employee benefits and provisions	93,241	140,752
Profit from the sale of non-current assets	(723,013)	(135,928)
Profit from fair value measurements	(105,887)	(196,283)
Profit from bargain purchase, net	(40,411)	-
Impairment of financial assets, net	38,539	4,491
Impairment of non-current assets and inventory, net	124,503	12,216
Depreciation and amortization of non-current assets	1,711,055	1,346,956
Unrealized exchange difference, recognized with financial instruments in the statement of income	(85,510)	(7,432)
Other adjustments to reconcile the statement of income for the year	(11,953)	(61,167)
	3,303,201	2,938,200
Changes in working capital for:		
Trade and other accounts receivable	111,558	922,834
Inventories	1,045	(144,616)
Other assets	25,668	(1,896)
Trade and other accounts payable	(148,493)	(416,793)
Other liabilities	(53,014)	(78,280)
Cash generated from operations	3,239,965	3,219,449
Income tax paid	(483,962)	(409,816)
Received dividends and shares	561,408	150,519
CASH FLOW GENERATION FROM OPERATIONS, NET	3,317,411	2,960,152
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Financial interest received	60,218	43,671
Acquisition of property, plant and equipment	(1,370,868)	(1,173,265)
From the sale of property, plant and equipment	805,395	183,907
Acquisition of investment properties	(15,739)	(242)
From the sale of investment properties	60,821	41,965
Acquisition of intangible assets	(114,603)	(98,947)
From the sale of intangible assets	214	3,922
Acquisition of other non-current assets	(50)	-
From the sale of other non-current assets	8,044	24,088
Acquisition of control over subsidiaries and other businesses	(1,706,883)	-
Sale of businesses with loss of control	1,233,221	245,145
Acquisition of shares in associates and joint ventures	(289,143)	(114,524)
From the sale of shares in associates and joint ventures	142,005	-
Acquisition of financial assets	(335,624)	(87,639)
From the sale of financial assets	278,490	38,400
Loans granted to third parties	(85,355)	-
Payments made to financial derivatives	-	(1,628)
Other cash inflows/outflows	5,857	115,969
CASH FLOW USED IN INVESTMENT ACTIVITIES, NET	(1,324,000)	(779,178)

Consolidated Statement of Cash Flows

Years ending on December 31 | In millions of Colombian pesos

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares and other capital instruments from subsidiaries	118,910	674,283
Issuance of bonds and structured notes	2,964,277	638,747
Payment of bonds, structured notes and commercial papers	(663,168)	(648,490)
Acquisition of other financing instruments	5,131,832	6,517,699
Payment of other financing instruments	(7,479,846)	(7,394,049)
Payment of lease liabilities	(200,467)	-
Purchase of shares in subsidiaries' property that do not result in gain of control	(136,231)	(383,021)
From the sale of shares in subsidiaries' property that do not result in loss of control	-	81
Return on subordinated debt	(82,875)	(66,481)
Payments made to financial derivatives	(25,327)	-
Collections from financial derivatives	51,663	-
Dividends paid from common shares	(686,029)	(562,710)
Dividends paid from preferred shares	(122,008)	(114,794)
Interest paid	(1,116,773)	(997,750)
Other cash inflows/outflows	39,463	38,351
CASH FLOW USED IN FINANCING ACTIVITIES, NET	(2,206,579)	(2,298,134)
DECREASE IN CASH AND CASH EQUIVALENTS, NET	(213,168)	(117,160)
Cash and cash equivalents at the beginning of the period	2,647,532	2,632,400
Effect of varying exchange rates on cash and cash equivalents held in foreign currency	39,644	132,292
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (NOTE 6)	2,474,008	2,647,532

The accompanying notes are an integral part of the consolidated financial statements.

Certification by the Company's Registered Agent

Medellín, February 26, 2020

To Grupo Argos S.A. shareholders

In my capacity as Registered Agent, I hereby attest that the Consolidated Financial Statements as at December 31, 2019, made public contain no flaws, inaccuracies or material misstatements that could prevent the true financial position or transactions made by Grupo Argos S.A. during the corresponding period from being known.

Jorge Mario Velásquez Jaramillo
CEO | Registered Agent
(See attached certificate)

Jorge Mario Velásquez Jaramillo
CEO | Registered Agent
(See attached certificate)

Claudia Patricia Álvarez Agudelo
Accountant | Professional License No. 69447-T
(See attached certificate)

Johana Novoa Cucunuba
Statutory Auditor | Professional License No. 166943-T
Member of KPMG S.A.S.
(See report dated February 26, 2020)



Certification by the Company's Registered Agent and Accountant

Medellín, February 26, 2020

To Grupo Argos S.A. shareholders

The undersigned Registered Agent and Accountant of Grupo Argos S.A. (hereinafter the Company) do hereby attest that before making the Company's Consolidated Financial Statements as at December 31, 2019 and 2018, available to you and third parties, we have certified the following statements contained therein:

- a) All assets and liabilities included in the Company's financial statements as at December 31, 2019 and 2018, exist, and all the transactions included therein were made during the years ending on those dates.
- b) The economic actions undertaken by the Company during the years ending on December 31, 2019 and 2018, have been acknowledged in the financial statements.
- c) The assets represent probable future economic benefits (rights) and the liabilities represent future economic sacrifices (obligations) obtained by the Company or for which it is responsible as at December 31, 2019 and 2018.
- d) All elements have been recognized at their appropriate values according to the Generally Accepted Accounting and Financial Reporting Standards in Colombia.
- e) All the economic actions that affect the Company have been properly classified, described, and disclosed in the financial statements.

STATUTORY AUDITOR'S REPORT

To the Shareholders
Grupo Argos S.A.

Opinion

I have audited the consolidated financial statements of Grupo Argos S.A. (the Group), which comprise the consolidated statement of financial position at December 31, 2019 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and their respective notes, which include significant accounting policies and other explanatory information.

In my opinion, the aforementioned consolidated financial statements attached to this report, present fairly, in all material aspects, the consolidated financial position of the Group as of December 31, 2019, the consolidated financial performance, and its consolidated cash flows for the year then ended, in accordance with Accounting and Financial Reporting Standards accepted in Colombia, applied uniformly with the previous year, except for the application of IFRS 16 – Leases, which entered into force on January 1, 2019.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing accepted in Colombia (ISAs). My responsibilities under those standards are further described in the Statutory Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the Group in accordance with the Code of Ethics for Accounting Professionals Issued by the International Ethics Standards Board for Accountants (IESBA Code), included in the Assurance Information Standards accepted in Colombia together with the ethical requirements that are relevant to my audit of the consolidated financial statements established in Colombia and I have fulfilled my ethical responsibilities in accordance with these requirements and aforementioned IESBA Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated financial statements of the current period. These matters were addressed in the context of my audit of the separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Jorge Mario Velásquez Jaramillo
CEO | Registered Agent
(See attached certificate)

Claudia Patricia Álvarez Agudelo
Accountant | Professional License No. 69447-T
(See attached certificate)

Evaluation of the recognition of the effects of business combinations (see note 42 to the consolidated financial statements)	
Key Audit Matter	How my audit addressed the key audit matter
<p>On 31 May 2019, through Celsia S.A., one of the Group's subsidiaries, the acquisition of the commercial establishment of <i>Compañía Energética del Tolima S.A. E.S.P.</i> was completed, which included the business of distributing and marketing electrical energy in the department of Tolima. This acquisition generated the recognition of goodwill for \$48,749 million COP.</p> <p>Moreover, on 8 October 2019, the Group, through its subsidiary <i>Odinsa S.A.</i>, signed a purchase agreement for 52.6195% of the shares of the <i>concession Túnel Aburrá Oriente S.A.</i> (the Concessionaire), for \$334,316 million COP. Upon partial compliance with the conditions set forth in the contract, on 16 December 2019, the Group obtained control of this entity.</p> <p>In accordance with IFRS 3 - Business Combinations, the recognition of identifiable assets acquired and liabilities assumed as a result of a business acquisition are measured at acquisition-date fair value and any excess value over the consideration paid results in the recognition of goodwill</p> <p>I considered the assessment of business combinations as a key audit matter because they involve significant assumptions in determining fair values that incorporate relevant judgments, particularly regarding expected business developments, discount rates applied to cash flow projections and the allocation of goodwill to the assets acquired, as appropriate.</p>	<p>My audit procedures to evaluate the appropriate recognition of the effects of business combinations included, but were not limited to, the following:</p> <ul style="list-style-type: none">– Evaluation of the competence, objectivity and ability of external specialists hired by the Group to determine the fair values of the identified assets and liabilities assumed at the acquisition dates.– Evaluation, with the involvement of valuation professionals with industry knowledge and experience, of the methodology adopted by the Group to determine the fair values of the assets acquired and liabilities assumed, the underlying assumptions in the respective valuations and the mathematical accuracy of the valuation models. In addition, the appropriateness of the allocation of purchase prices and goodwill, as appropriate, to the cash-generating units identified as part of the acquisitions.– Evaluation, with the involvement of professionals with knowledge and experience of legal matters, of the legal validity of the agreements entered into with certain shareholders of <i>Concesión Túnel Aburrá Oriente S.A.</i>, on the basis of which control is obtained over this entity.– Assessing whether the disclosures in the consolidated financial statements consider the relevant information to reflect the effects of business combinations.

Evaluation of the valuation of investment properties in accordance with IAS 40 - Investment Properties (see note 17 to the consolidated financial statements)	
Key Audit Matter	How my audit addressed the key audit matter
<p>The Company's consolidated statement of financial position at 31 December 2019 includes a significant amount of investment property of \$2,317,216 million COP, represented primarily by land measured at fair value through profit or loss.</p> <p>The Group hires qualified external experts for the periodic determination of the fair value of its investment properties, who employ significant judgement in the determination of key valuation assumptions such as: the use of market comparable, the estimation of future cash flows, the discount rates applied and the expected market growth.</p> <p>The main reasons for considering this a key audit matter are (1) there was significant judgment by the Group in determining the key assumptions for the valuation of investment properties and (2) there was significant judgment and an audit effort to evaluate the evidence obtained related to the valuations performed, as well as audit effort involving the use of professionals with specialized skills and knowledge in property valuation.</p>	<p>My audit procedures for assessing the valuation of investment properties in accordance with IAS 40 included, but were not limited to, the following:</p> <ul style="list-style-type: none">- Evaluation of the design, implementation and operating effectiveness of the key control established by the Group to determine and recognize the fair value of investment properties, specifically in the review and approval by the Real Estate Strategy Department of appraisals performed by external professionals with specialist knowledge in real estate valuation hired by the Group.- Assessment of the competence and capacity of external professionals hired by the Company, that determined the fair value of the investment properties.- Involvement of a professional with relevant knowledge and experience in real estate valuation, who assisted me in assessing the key assumptions used by the external professionals hired by the Company to determine the fair value of investment properties, and whether the procedures and techniques applied comply with IFRS 13 - Fair Value Measurement, and International Valuation Standards.



Evaluation of goodwill impairment (see note 14 to the consolidated financial statements)	
Key Audit Matter	How my audit addressed the key audit matter
<p>The Group's consolidated statement of financial position includes goodwill for \$3,011,272 million COP, resulting from acquisitions made in the current and prior years, on which an impairment assessment is required annually in accordance with IAS 36 - Impairment of Assets.</p> <p>This represents a key audit matter due to the materiality of the goodwill balance, and because it involves the determination of complex and subjective judgments made by the Group in relation to the growth of long-term sales, projected costs and operating margins in the different regions where the Group operates, as well as in the determination of the discount rates used to discount future cash flows.</p>	<p>My audit procedures for the testing of goodwill impairment included, but were not limited to, the following:</p> <ul style="list-style-type: none">– Evaluation of the consistency in the distribution of goodwill in the various cash-generating units (CGUs) identified by the Group in relation to the previous year's allocation.– Professionals with relevant industry knowledge and experience assisted me in (1) evaluating the key assumptions used in the impairment tests performed by the Group, including input data, (2) performing independent recalculations supported by information obtained from external sources on the discount rates and macroeconomic variables used, (3) comparing the results of the calculations obtained with those performed by the Group and (4) performing a sensitivity analysis including a possible reasonable reduction in key variables.– Comparison of the previous year's budget with the actual data, to verify the degree of compliance and, consequently, the accuracy of the projections made by the Group's management.– Assessing whether the disclosures included in the notes to the financial statements are appropriate in accordance with IAS 36.



Evaluation of the valuation of service concession arrangements (see note 44 to the consolidated financial statements)	
Key Audit Matter	How my audit addressed the key audit matter
<p>The Group has entered into concession agreements for the construction, operation and transfer of infrastructure, which are within the scope of IFRIC 12 - Service Concession Arrangements. The remuneration of these arrangements depends on the terms and conditions of each contract; some incorporate certain mechanisms that give the Group the unconditional right to receive a guaranteed minimum revenue (financial asset), while other arrangements give rise to exposure of the investment in the underlying assets to the traffic risk inherent in the transaction (intangible asset). As of 31 December 2019, the Group's consolidated statement of financial position includes financial assets of \$2,347,941 million COP and intangible assets of \$3,866,055 million COP, derived from the concession contracts signed.</p> <p>This represents a key audit matter due to the materiality of the balances related to these arrangements, and because their valuation requires significant judgement by the Group in the determination of discount rates and the selection of key input data such as projections of capital investments and operating expenses, incorporated into the financial models used as the basis for the valuation of the amounts derived from each concession contract.</p>	<p>My audit procedures for the evaluation of the valuation of service concession agreements included the involvement of professionals with relevant industry knowledge and experience who assisted me in 1) analyzing the methodology used in the valuation of assets derived from concession contracts, and whether it is consistent with IFRIC 12 and the valuation practices usually used in the market, 2) the identification of the key assumptions included in the financial models and the evaluation of the economic merits of each relevant assumption, 3) the comparison of the key assumptions with market data, if available, and 4) the recalculation of the financial asset/intangible asset, as well as the discount rates used and comparison of the results with those obtained by the Group.</p>

Other matters

The consolidated financial statements as of and for the year ending December 31, 2018 are presented solely for comparative purposes, were audited by another public accountant who in his report expressed an unqualified opinion on those financial statements in their report dated February 22, 2019.

Responsibilities of management and those in charge with corporate governance for the consolidated financial statements

Management is responsible for the preparation and presentation of these consolidated financial statements in accordance with Accounting and Financial Reporting Standards accepted in Colombia. This responsibility includes designing, implementing and maintaining such internal control as management deems necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.



In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with corporate governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

As part of an audit conducted in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosure in the consolidated financial statements or, if such disclosure is inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Group ceases to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events so that the consolidated financial statements are reasonably presented.
- I obtained appropriate and sufficient audit evidence with respect the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements. I am responsible for directing, supervising and performing the Group audit. I am solely responsible for my audit opinion.

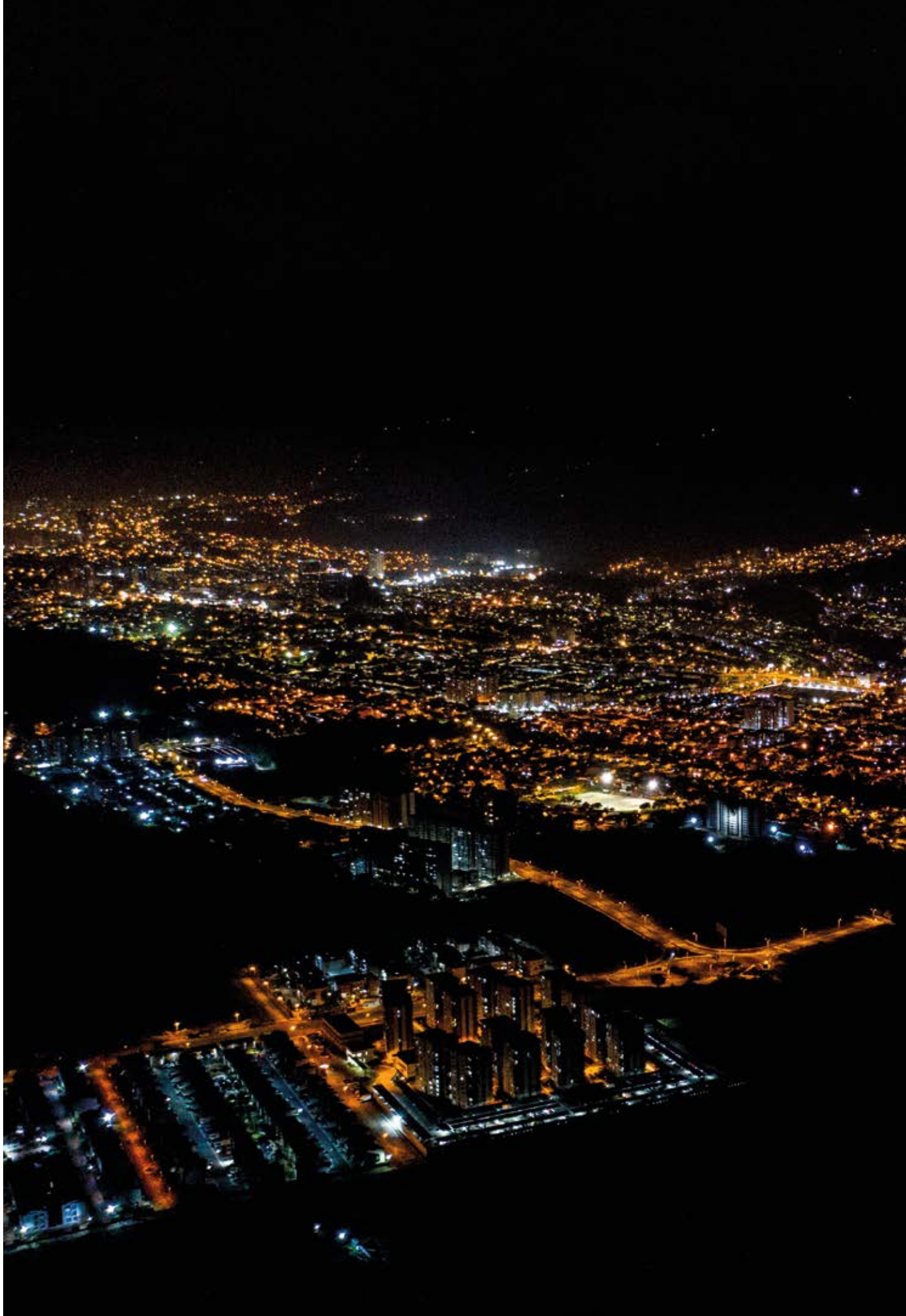
I communicate with those charged with the Company’s governance regarding, among other matters, the planned scope and timing for the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with corporate governance with a statement that I have complied with relevant ethical requirements for independence, and to communicate to them all relationships and other matters that may reasonably be considered to influence my independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine the matters that were of most significance in the audit of the consolidated financial statements for the current period and, therefore, are the key audit matters. I describe these matters in my report unless the law or regulation precludes public disclosure of the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to overweight the public interest benefits of such communication.

(Original version issued in Spanish and signed by)
Johana Novoa Cucunubá
Statutory Auditor of Grupo Argos S.A.
Professional License 166943 - T
Member of KPMG S.A.S.

February 26, 2020



SEPARATE FINANCIAL STATEMENTS

Grupo Argos S.A.

Separate Statement of Financial Position

As at December 31 | In millions of Colombian pesos

	Notes	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents	6	1,729	4,850
Derivative financial instruments	7	-	2,932
Trade and other accounts receivable, net	8	223,804	166,415
Inventories, net	9	169,602	172,868
Tax assets	10	30,237	6,284
Prepaid expenses and other non-financial assets	12	1,189	1,656
Current assets		426,561	355,005
Non-current assets held for sale	18	24,478	-
TOTAL CURRENT ASSETS		451,039	355,005
Non-current assets			
Trade and other accounts receivable, net	8	96,511	107,903
Inventories, net	9	37,204	36,747
Right-to-use assets (property, plant and equipment), net	20	12,817	-
Intangible assets, net	13	107,005	119,633
Property, plant and equipment, net	14	1,452	2,022
Investment properties	15	2,108,346	2,105,213
Investments in associates and joint ventures	16	5,248,263	5,072,386
Investments in subsidiaries	17	8,925,402	9,070,962
Other financial assets	11	1,167,807	1,076,533
Prepaid expenses and other non-financial assets	12	4,666	-
TOTAL NON-CURRENT ASSETS		17,709,473	17,591,399
TOTAL ASSETS		18,160,512	17,946,404

Grupo Argos S.A.

Separate Statement of Financial Position


As at December 31 | In millions of Colombian pesos

	Notes	2019	2018
LIABILITIES			
Current liabilities			
Borrowings	19	4,252	119,106
Lease liabilities	20	2,036	-
Employee benefit liabilities	21	12,404	11,414
Provisions	22	322	701
Trade and other accounts payable	23	93,764	90,551
Tax liabilities	10	1,974	23,811
Derivative financial instruments	7	42	175
Bonds and compound financial instruments	24	8,274	121,691
Other non-financial liabilities	25	53,332	25,419
TOTAL CURRENT LIABILITIES		176,400	392,868
Non-current liabilities			
Borrowings	19	497,757	738,047
Lease liabilities	20	10,264	-
Deferred tax	10	195,402	182,086
Employee benefit liabilities	21	2,785	1,865
Derivative financial instruments	7	-	85
Bonds and compound financial instruments	24	1,105,207	655,517
TOTAL NON-CURRENT LIABILITIES		1,811,415	1,577,600
TOTAL LIABILITIES		1,987,815	1,970,468
Equity			
Share capital	26	53,933	53,933
Share issue premium	26	1,354,759	1,354,759
Retained earnings		8,701,448	8,686,431
Reserves	27	3,513,161	3,001,515
Income for the year		482,739	811,676
Other equity components	28	301,188	374,968
Other comprehensive income	27	1,765,469	1,692,654
TOTAL EQUITY		16,172,697	15,975,936
TOTAL LIABILITIES AND EQUITY		18,160,512	17,946,404

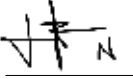
The accompanying notes are an integral part of the financial statements.



Jorge Mario Velásquez Jaramillo
CEO | Registered Agent
(See attached certificate)



Claudia Patricia Álvarez Agudelo
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(See attached certificate)



Johana Novoa Cucunuba
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(See report dated February 26, 2020)

Grupo Argos S.A.

Separate Statement of Comprehensive Income

Years ending on December 31 | In millions of Colombian pesos, except for earnings per share

	Notes	2019	2018
Revenue from ordinary activities	30	845,609	1,379,703
Cost of ordinary activities	31	(99,480)	(308,397)
Gross profit		746,129	1,071,306
Administration expenses	32	(141,761)	(139,750)
Sales expenses	33	(1,234)	(1,581)
Structural expenses		(142,995)	(141,331)
Other (expenses) income, net	35	(4,481)	27,750
Profit from operational activities		598,653	957,725
Financial expenses, net	36	(102,653)	(111,050)
Profit before tax		496,000	846,675
Income tax	10	(13,261)	(34,999)
NET PROFIT		482,739	811,676
EARNINGS PER SHARE FROM CONTINUING OPERATIONS (*)			
Attributable to shareholders			
Basic	37	563	947
Diluted	37	563	947

*Figures in Colombian pesos
The accompanying notes are an integral part of the financial statements.

Grupo Argos S.A.


Separate Statement of Other Comprehensive Income

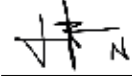
Years ending on December 31 | In millions of Colombian pesos

	Notes	2019	2018
NET PROFIT		482,739	811,676
Entries that will not be reclassified after presenting the statement of income for the period	27.2	98,637	(299,427)
Gains and losses from equity investments		85,877	(195,418)
New measurements of employee defined benefit liabilities		(5,809)	2,145
Deferred taxes for employee defined benefits		876	(1,152)
Share in other comprehensive income of subsidiaries, net		17,693	(105,002)
Entries that will be reclassified after presenting the statement of income for the period	27.2	(16,719)	431,783
Effect of cash flow hedging instruments		(235)	189
Deferred tax from cash flow hedging instruments		60	(47)
Share in other comprehensive income of subsidiaries, net		(16,544)	431,641
OTHER COMPREHENSIVE INCOME, AFTER TAX	27.2	81,918	132,356
TOTAL COMPREHENSIVE INCOME		564,657	944,032


The accompanying notes are an integral part of the financial statements.

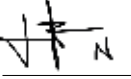

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Grupo Argos S.A.

Separate Statement of Changes in Equity

Years ending on December 31 | In millions of Colombian pesos

	Capital and share issue premium	Legal reserve	Other reserves	Other comprehensive income	Accumulated results	Income for the year	Other equity components	Total equity
PRESENTED BALANCE AS AT DECEMBER 31, 2017	1,408,692	29,665	2,800,179	1,564,175	9,149,828	-	592,604	15,545,143
Cumulative effect of the adoption of new standards recognized through the equity method (Note 3.1.1)								
Adjusted balance as at January 1, 2018	1,408,692	29,665	2,800,179	1,564,175	9,141,067	-	592,604	15,536,382
Income for the period	-	-	-	-	-	811,676	-	811,676
Other comprehensive income for the period, after tax	-	-	-	132,356	-	-	-	132,356
Comprehensive income for the 2018 period	-	-	-	132,356	-	811,676	-	944,032
Ordinary cash dividends declared	-	-	-	-	(211,691)	-	-	(211,691)
Preferred cash dividends declared	-	-	-	-	(69,479)	-	-	(69,479)
Appropriation of reserves	-	-	171,671	-	(171,671)	-	-	-
Transfers to accumulated earnings	-	-	-	1,795	(1,795)	-	-	-
Other variations	-	-	-	(5,672)	-	-	(217,636)	(223,308)
BALANCE AS AT DECEMBER 31, 2018	1,408,692	29,665	2,971,850	1,692,654	8,686,431	811,676	374,968	15,975,936
PRESENTED BALANCE AS AT DECEMBER 31, 2018	1,408,692	29,665	2,971,850	1,692,654	9,498,107	-	374,968	15,975,936
Cumulative effect of the adoption of new standards recognized through the equity method (Note 3.1.2)								
ADJUSTED BALANCE AS AT JANUARY 1, 2019	1,408,692	29,665	2,971,850	1,692,654	9,503,702	-	374,968	15,981,531
Income for the period	-	-	-	-	-	482,739	-	482,739
Other comprehensive income for the period, after tax	-	-	-	81,918	-	-	-	81,918
Comprehensive income for the 2019 period	-	-	-	81,918	-	482,739	-	564,657
Ordinary cash dividends declared	-	-	-	-	(225,890)	-	-	(225,890)
Preferred cash dividends declared	-	-	-	-	(74,140)	-	-	(74,140)
Appropriation of reserves	-	-	511,646	-	(511,646)	-	-	-
Transfers to accumulated earnings	-	-	-	(9,103)	9,103	-	-	-
Other variations	-	-	-	-	319	-	(73,780)	(73,461)
BALANCE AS AT DECEMBER 31, 2019	1,408,692	29,665	3,483,496	1,765,469	8,701,448	482,739	301,188	16,172,697

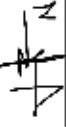
The accompanying notes are an integral part of the financial statements.



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Grupo Argos S.A.

Separate Statement
of Cash Flow

Years ending on December 31 | In millions of Colombian pesos

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
NET PROFIT	482,739	811,676
Adjustments for:		
Income from dividends and shares	(142,147)	(129,234)
Income tax expenses recognized in the statement of income for the period	13,261	34,999
Equity method in the subsidiaries’ statement of income	(433,902)	(436,069)
Financial expenses recognized in the statement of income for the period, net	99,782	110,096
(Profit) loss recognized for employee benefits and provisions	(373)	22
Profit from the sale of non-current assets	(68,857)	(403,944)
Profit from fair value measurements	(59,507)	(110,619)
Depreciation and amortization of non-current assets	16,390	22,102
Impairment loss (recovery) of financial assets recognized in the statement of income for the period, net	939	(27)
Impairment of non-current assets and inventory, net	293	-
Unrealized exchange difference, recognized with financial instruments in the statement of income	(42)	(253)
Other adjustments	(1,001)	294
	(92,425)	(100,957)
Changes in working capital for:		
Trade and other accounts receivable	(106,460)	25,101
Inventories	48,011	2,344
Other assets	361	15,653
Trade and other accounts payable	(5,943)	(5,457)
Other liabilities	8,030	(49,080)
Cash used for operations	(148,426)	(112,396)
Dividends received	511,473	432,150
Income tax paid	(17,029)	(30,987)
CASH FLOW GENERATION FROM OPERATING ACTIVITIES, NET	346,018	288,767

Grupo Argos S.A.

Separate Statement of Cash Flow

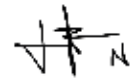
Years ending on December 31 | In millions of Colombian pesos

	2019	2018
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Financial interest received	9,052	7,074
Acquisition of property, plant and equipment	(95)	(93)
Acquisition of investment properties	(15,739)	-
From the sale of investment properties	54,002	41,547
Acquisition of intangible assets	-	(262)
Acquisition of subsidiaries	(2,019)	(1,083,930)
From the sale of shares in subsidiaries	134,687	659,583
Acquisition of shares in associates and joint ventures	(176,717)	(588)
From the sale of shares in associates and joint ventures	399	-
Acquisition of financial assets	(7,912)	(8,147)
Return on subordinated debt	71,062	57,000
Refund of contributions	4,395	100,945
CASH FLOW GENERATED (USED) BY INVESTMENT ACTIVITIES, NET	71,115	(226,871)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bond issuance	450,000	-
Payment of bonds and commercial papers	(115,850)	(350,000)
Increase of other financing instruments	434,300	1,179,276
Reduction of other financing instruments	(790,342)	(786,799)
Payment of lease liabilities	(1,808)	-
Collections from financial derivatives with financial liability hedging	2,538	-
Dividends paid from common shares	(222,756)	(209,260)
Dividends paid from preferred shares	(72,115)	(67,620)
Interest paid	(104,203)	(121,732)
CASH FLOW USED IN FINANCING ACTIVITIES, NET	(420,236)	(356,135)
DECREASE IN CASH AND CASH EQUIVALENTS, NET	(3,103)	(294,239)
Cash and cash equivalents at the beginning of the period	4,850	299,082
Effect of varying exchange rate on cash and cash equivalents held in foreign currency	(18)	7
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,729	4,850

The accompanying notes are an integral part of the financial statements.


Jorge Mario Velásquez Jaramillo
CEO | Registered Agent
(See attached certificate)


Claudia Patricia Álvarez Agudelo
Accountant | Professional License No. 69447-T
(See attached certificate)



Johana Novoa Cucunuba
Statutory Auditor | Professional License No. 166943-T
Member of KPMG S.A.S.
(See report dated February 26, 2020)

Certification by the Company's Registered Agent

Medellín, February 26, 2020

To Grupo Argos S.A. shareholders

In my capacity as Registered Agent, I hereby attest that the Separate Financial Statements as at December 31, 2019, made public contain no flaws, inaccuracies or material misstatements that could prevent the true financial position or transactions made by Grupo Argos S.A. during the corresponding period from being known.


Jorge Mario Velásquez Jaramillo
CEO | Registered Agent

Certification by the Company's Registered Agent and Accountant

Medellín, February 26, 2020

To Grupo Argos S.A. shareholders

The undersigned Registered Agent and Accountant of Grupo Argos S.A. (hereinafter the Company) do hereby attest that the Company's Separate Financial Statements as at December 31, 2019 and 2018, have been faithfully taken from the accounting books, and that before making them available to you and others, we have certified the following statements contained therein:

- a) All assets and liabilities included in the Company's financial statements as at December 31, 2019 and 2018, exist, and all the transactions included therein were made during the years ending on those dates.
- b) The economic actions undertaken by the Company during the years ending on December 31, 2019 and 2018, have been acknowledged in the financial statements.
- c) The assets represent probable future economic benefits (rights) and the liabilities represent future economic sacrifices (obligations) obtained by the Company or for which it is responsible as at December 31, 2019 and 2018.
- d) All elements have been recognized at their appropriate values according to the Generally Accepted Accounting and Financial Reporting Standards in Colombia.
- e) All the economic actions that affect the Company have been properly classified, described, and disclosed in the financial statements.



KPMG S.A.S.
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AUDM&SMDE-EFI2020-5428-P-28054

STATUTORY AUDITOR’S REPORT

To the Shareholders
Grupo Argos S.A.

Statutory auditor’s report on the audit of the financial statements

Opinion

I have audited the separated financial statements of Grupo Argos S.A. (the Company), which comprise the separated statement of financial position as of December 31, 2019 and the separated statements of comprehensive income, of changes in equity and of cash flows for the year then ended and their respective notes, that include significant accounting policies and other explanatory information.

In my opinion, the aforementioned separated financial statements, faithfully taken from the books and attached to this report, present fairly, in all material aspects, the separated financial position of the Company as of December 31, 2019, the separated financial performance, and its separated cash flows for the year then ended, in accordance with Accounting and Financial Reporting Standards accepted in Colombia, applied uniformly with the previous year.

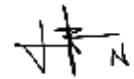
Basis for opinion

I conducted my audit in accordance with International Standards on Auditing accepted in Colombia (ISAs). My responsibilities under those standards are further described in the Statutory Auditor’s Responsibilities for the Audit of the Separated Financial Statements section of my report. I am independent of the Company, in accordance with the Code of Ethics for Accounting Professionals Issued by the International Ethics Standards Board for Accountants (IESBA Code) included in the Assurance Information Standards accepted in Colombia together with the ethical requirements that are relevant to my audit of the separated financial statements established in Colombia and I have fulfilled my ethical responsibilities in accordance with these requirements and the aforementioned IESBA Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.


Jorge Mario Velásquez Jaramillo
CEO | Registered Agent
(See attached certificate)


Claudia Patricia Álvarez Agudelo
Accountant | Professional License No. 69447-T
(See attached certificate)


Johana Novoa Cucunuba
Statutory Auditor | Professional
License No. 166943-T
Member of KPMG S.A.S.
(See report dated February 26, 2020)



Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the separated financial statements of the current period. These matters were addressed in the context of my audit of the consolidated financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Evaluation of the valuation of investment properties according to IAS 40 - Investment Properties (see note 15 to the separated financial statements)	
Key Audit Matter	How my audit addressed the key audit matter
<p>The Company's separate statement of financial position at 31 December 2019 includes a significant amount of investment property of \$2,108,346 million COP, represented primarily by land measured at fair value through profit or loss.</p> <p>The principal reasons for considering this a key audit matter are (1) there was significant judgment by the Company in determining the key assumptions for the valuation of investment properties and (2) there was significant judgment and an audit effort to evaluate the evidence obtained related to the valuations performed, as well as the audit effort involving the use of professionals with specialized skills and knowledge in property valuation.</p>	<p>My audit procedures to assess the valuation of investment properties according to IAS 40 included, but were not limited to, the following:</p> <ul style="list-style-type: none">- Evaluation of the design, implementation and operating effectiveness of the key controls established by the Company to determine and recognise the fair value of investment properties, specifically in the review and approval by the Real Estate Strategy Department, of appraisals performed by external professionals with specialized knowledge in real estate valuation hired by the Company.- Assessment of the competence and capacity of external professionals hired by the Company, that determined the fair value of the investment properties.- Involvement of a professional with relevant knowledge and experience in real estate valuation, who assisted me in assessing the key assumptions used by the external professionals hired by the Company to determine the fair value of investment properties, and whether the procedures and techniques applied comply with IFRS 13 - Fair Value Measurement, and International Valuation Standards.



Evaluation of the recoverability of investments in subsidiaries and a significant associate (see notes 16 and 17 to the separated financial statements)	
Key Audit Matter	How my audit addressed the key audit matter
<p>The Company's separate statement of financial position as of 31 December 2019 includes investments in subsidiaries and a significant associate of \$13,293,515 million COP, which represent 73% of the Company's total assets.</p> <p>I have identified the evaluation of the recoverability of these investments as a key audit matter because it involves significant judgment in identifying indicators of impairment for these investments. Additionally, due to the materiality of the balance, it is considered one of the areas of greatest attention in the audit.</p>	<p>My audit procedures for assessing the recoverability of investments in subsidiaries and a significant associate included, but were not limited to, the following:</p> <ul style="list-style-type: none">- Identification of events, facts and/or circumstances that evidence the existence of any indicators of impairment in relation to investments in subsidiaries based on impairment testing of the various cash generating units in the context of an audit of the consolidated financial statements.- Evaluation of the work performed by the audit team of the significant subsidiaries in the identification of possible indications of impairment in the investments in subsidiaries.- Professionals with relevant industry knowledge and experience assisted me in (1) evaluating the key assumptions used in the impairment testing performed by the Company on its investment in this significant associate, including the input data, (2) performing independent recalculations supported by information obtained from external sources on the discount rate and macroeconomic variables used, and (3) comparing the results of the calculations obtained, with those performed by the Company.

Other matters

The separated financial statements as of and for the year ended December 31, 2018 are presented solely for comparative purposes, were audited by another public accountant who in his report expressed an unmodified opinion on those financial statements in their report dated February 22, 2019.

Responsibility of management and those charged with corporate governance for the separated financial statements

Management is responsible for the preparation and reasonable presentation of this separated financial statements in accordance with Accounting and Financial Reporting Standards accepted in Colombia. This responsibility includes designing , implementing and maintaining such internal control as management deems necessary to enable the preparation of separated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable under the circumstances.



In preparing the separated financial statements, Management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with corporate governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the separated financial statements

My objectives are to obtain reasonable assurance about whether the separated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separated financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the separated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the separated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the separated financial statements, including the disclosures, and whether the separated financial statements represent the underlying transactions and events so that the separated financial statements are reasonably presented.

I communicate with those charged with corporate governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with corporate governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, the related safeguards.

From the matters communicated with those charged with corporate governance, I determine those matters that were of most significance in the audit of the separated financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Based on the result of my tests, in my concept during 2019:

- a) The Company's accounting has been kept pursuant to legal regulations and to accounting techniques.
- b) The operations recorded in the accounting ledgers reflects the Company's bylaws and the decisions of the Assembly of Shareholders.
- c) The correspondence, account vouchers, minutes ledger and shares registry ledger are duly kept and maintained.
- d) There is concordance between the financial statements that accompany this opinion and the management report prepared by the management, which includes a statement by management of the free flow of invoices issued by vendors or suppliers.
- e) The information contained in the payment declarations of contributions to the Comprehensive Social Security System, in particular the information relating to the affiliates and their income contribution base, has been taken from accounting records and supports. The Company is not in arrears for the concept of contributions to the Comprehensive Social Security System.



To comply with the requirements of Articles 1.2.1.2. and 1.2.1.5. of the Regulatory Decree 2420 of 2015, in development of the responsibilities of the Statutory Auditor contained in numerals 1° and 3° of Article 209 of the Code of Commerce, related to the evaluation of whether the acts of the Company's directors are in accordance with the bylaws and orders or instructions of the Shareholders' Assembly, and whether there exists adequate measures of internal control, conservation and custody of the Company's assets or those of third parties in its possession, I issued a separate report dated February 26, 2020.

(Original version issued in Spanish and signed by)
Johana Novoa Cucunubá
Statutory Auditor of Grupo Argos S.A.
Professional License 166943 - T
Member of KPMG S.A.S.

February 26, 2020

Data from Article 446, Section 3 of the Code of Commerce

(In Colombian pesos o U.S. dollars, when indicated otherwise)

	2019
1. Expenses in favor of management personnel	41,963,442,684
1.1. Salaries, security payments and other expenses	40,856,970,697
1.2. Representation expenses	305,471,987
1.3. Board of Directors professional fees	801,000,000
2. Professional fees paid to advisors and managers	8,229,338,267
2.1. Technical advice	5,285,712,384
2.2. Legal advice	2,355,266,958
2.3. Financial advice	588,358,925
3. Transfers free of charge	5,490,529,535
4. Advertising expenses	1,743,541,721
5. Public relations expenses	1,306,716,531
6. Investments and assets abroad	60,091,889,126
6.1. Assets abroad	8,500,945,855
6.2. Investments in foreign companies	51,590,943,271
7. Investments in domestic companies	15,289,881,057,539
7.1. Investments in subsidiaries	8,889,039,590,461
7.2. Investments in joint ventures and associates	5,248,262,857,932
7.3. Other investments	1,152,578,609,146
8. Liabilities in foreign currency	588,939,678



APPENDICES

Grupo Argos S.A.

GRI Content Index

2019 Integrated Report

"In accordance with - Core" option of the GRI Standards

General Standard Disclosures

GRI	Description	Location
FOUNDATION		
101	Foundation: a. Reporting Principles b. Using the GRI Standards for sustainability reporting c. Making claims related to the use of the GRI Standards	
ORGANIZATIONAL PROFILE		
102-1	Name of the organization	Grupo Argos S.A.
102-2	Activities, brands, products and services	About Us, p. 9
102-3	Location of headquarters	Carrera 43A, # 1A Sur 143. Medellín, Colombia
102-4	Names of the countries where the organization operates or has significant operations	About Us, p. 9
102-5	Ownership and legal form	Grupo Argos S.A.
102-6	Markets served, including geographic locations, sectors served and types of customers and beneficiaries	About Us, p. 9
102-7	Scale of the organization (employees, operations, sales, capitalization, products and services provided)	About Us, p. 8, 9 and 70
102-8	Information on employees and other workers	About Us, p. 8 and Talent and Culture Appendix
102-9	A description of the organization's supply chain	How We Create Value, p. 48
102-10	Significant changes to the organization and its supply chain during the reporting period	Management Report, p. 13
102-11	Precautionary Principle or approach	Integrated Report Appendix
102-12	External initiatives	How We Create Value, p. 9
102-13	Membership of associations	How We Create Value, p. 9
STRATEGY AND RISKS		
102-14	Statement from the most senior decision-maker of the organization about the relevance of sustainability	Management Report, p. 13
102-15	A description of key impacts, risks, and opportunities	How We Create Value, p. 45
GA-ES01	Strategic Risks	How We Create Value, p. 46
GA-ES02	Emerging Risks	Integrated Report Appendix
GA-ES03	Value Added Statement (VAS)	How We Create Value, p. 50 and 51
ETHICS AND INTEGRITY		
102-16	The organization's values, principles, standards and norms of behavior	Ethics and Corporate Governance, p. 62
102-17	Internal and external mechanisms for advice and concerns about ethics	Ethics and Corporate Governance, p. 62
CORPORATE GOVERNANCE		
102-18	Governance structure of the organization, including committees of the highest governance body	Ethics and Corporate Governance, p. 40
102-19	Process for delegating authority for economic, environmental, and social topics	Ethics and Corporate Governance, p. 40
102-20	Executive-level responsibility for economic, environmental, and social topics	Ethics and Corporate Governance, p. 42 and 43
102-21	Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics	How We Create Value, p. 47 Integrated Report Appendix
102-22	Composition of the highest governance body and its committees	Ethics and Corporate Governance, p. 40
102-23	Whether the chair of the highest governance body is also an executive officer in the organization	Integrated Report Appendix

GRI	Description	Location
102-24	Nomination and selection processes for the highest governance body and its committees	Integrated Report Appendix
102-25	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	Integrated Report Appendix
102-26	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics	Ethics and Corporate Governance, p. 40; Integrated Report Appendix
102-27	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics	Integrated Report Appendix
102-28	Processes for evaluating the highest governance body's performance with respect to governance of economic, environmental, and social topics. Whether such evaluation is independent or not, and its frequency	Integrated Report Appendix
102-29	Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks and opportunities	Integrated Report Appendix
102-30	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics	Board of Directors, pp. 40 and 41. Integrated Report Appendix
102-31	Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities	Integrated Report Appendix
102-32	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered	Integrated Report Appendix
102-33	Process for communicating critical concerns to the highest governance body	Integrated Report Appendix
102-34	Total number and nature of critical concerns that were communicated to the highest governance body. Mechanism(s) used to address and resolve critical concerns.	Integrated Report Appendix
102-35	Remuneration policies for the highest governance body and senior executives	Integrated Report Appendix
102-36	Process for determining remuneration	Integrated Report Appendix
102-37	How stakeholders' views are sought and taken into account regarding remuneration. If applicable, the results of votes on remuneration policies and proposals.	Integrated Report Appendix
STAKEHOLDER ENGAGEMENT		
102-40	A list of stakeholder groups engaged by the organization	How We Create Value, p. 47
102-42	Identifying and selecting stakeholders	How We Create Value, p. 47
102-43	The organization's approach to stakeholder engagement	How We Create Value, p. 47
102-44	Key topics and concerns that have been raised through stakeholder engagement	How We Create Value, p. 47
REPORTING PRACTICE		
102-45	A list of entities included in the organization's consolidated financial statements or equivalent documents	About this Report, p. 5
102-46	The process for defining the report content and the topic boundaries	Materiality Analysis, p. 5
102-47	List of material topics	Materiality Analysis, pp. 4 and 56
102-48	Restatements of information given in previous reports, and the reasons for such restatements	About this Report, p. 5
102-49	Significant changes from previous reporting periods in the list of material topics and topic boundaries	About this Report, p. 5
102-50	Reporting period	About this Report, p. 5
102-51	Date of most recent report	About this Report, p. 5
102-52	Reporting cycle	About this Report, p. 5
102-53	The contact point for questions regarding the report or its contents	About this Report, p. 5
102-54	Claims of reporting in accordance with the GRI Standards	About this Report, p. 4
102-55	GRI Content Index	GRI Content Index
102-56	External assurance	External Assurance Letter

General Standard Disclosures

GRI	Description	Location
DRIVER 1: STRATEGIC OVERSIGHT		
103	Management Approach (DMA)	Strategic Oversight, pp. 58 and 59
103-1	Explanation of the material topic and its boundary	Strategic Oversight, p. 58
103-2	The management approach and its components	Strategic Oversight, pp. 58 and 59
103-3	Evaluation of the management approach	Strategic Oversight, p. 59
DRIVER 2: FINANCIAL MANAGEMENT		
103	Management Approach (DMA)	Financial Management, pp. 60 and 61
103-1	Explanation of the material topic and its boundary	Financial Management, p. 60
103-2	The management approach and its components	Financial Management, p. 60
103-3	Evaluation of the management approach	Financial Management, pp. 60 and 61
GA-EF01	Gross Debt / Dividends	Financial Management, p. 61
DRIVER 3: ETHICS AND CORPORATE GOVERNANCE		
103	Management Approach (DMA)	Ethics and Corporate Governance, pp. 62 and 63
103-1	Explanation of the material topic and its boundary	Ethics and Corporate Governance, p. 62
103-2	The management approach and its components	Ethics and Corporate Governance, pp. 62 and 63
103-3	Evaluation of the management approach	Ethics and Corporate Governance, p. 63
205-1	Operations assessed for risks related to corruption	Integrated Report Appendix
205-2	Communication and training about anti-corruption policies and procedures	Integrated Report Appendix
205-3	Confirmed incidents of corruption and actions taken	Integrated Report Appendix
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	Integrated Report Appendix
307-1	Non-compliance with environmental laws and regulations	Integrated Report Appendix
419-1	Non-compliance with laws and regulations in the social and economic area	Integrated Report Appendix
GA-EG01	Possible breaches of the Code of Conduct	Integrated Report Appendix
GA-EG02	Diversity criteria in the selection of the Board of Directors	Integrated Report Appendix
GA-EG03	General and specific experience of the Board members in the industry	Integrated Report Appendix
GA-EG04	Commitment to Human Rights	Integrated Report Appendix
DRIVER 4: SUSTAINABILITY VISION		
103	Management Approach (DMA)	Sustainability Vision, pp. 64 and 65
103-1	Explanation of the material topic and its boundary	Sustainability Vision, p. 64
103-2	The management approach and its components	Sustainability Vision, pp. 64 and 65
103-3	Evaluation of the management approach	Sustainability Vision, p. 65
302-1	Energy consumption within the organization	Integrated Report Appendix
302-3	Energy intensity	Integrated Report Appendix
303-3	Water withdrawal by source	Integrated Report Appendix
303-5	Water consumption	Integrated Report Appendix
305-1	Direct GHG emissions (Scope 1)	Integrated Report Appendix
305-2	Indirect GHG emissions (Scope 2)	Integrated Report Appendix
305-4	GHG emissions intensity	Sustainability Vision, p. 66 and Integrated Report Appendix
405-1	Diversity of governance bodies and employees	Sustainability Vision, p. 66; Talent and Culture, p. 70.
GA-VS01	Water consumption (m³) / COP million of income	Sustainability Vision, p. 66 and Integrated Report Appendix
GA-VS02	Percentage of water supply sources protected	Sustainability Vision, p. 66 and Integrated Report Appendix

GRI	Description	Location
GA-VS03	Employee commitment	Sustainability Vision, p. 67
DRIVER 5: IDENTITY AND ENGAGEMENT		
103	Management Approach (DMA)	Identity and Engagement, pp. 68 and 69
103-1	Explanation of the material topic and its boundary	Identity and Engagement, p. 68
103-2	The management approach and its components	Identity and Engagement, pp. 68 and 69
103-3	Evaluation of the management approach	Identity and Engagement, pp. 68 and 69
415-1	Political contributions	Integrated Report Appendix
GA-IR01	Taxes paid	Integrated Report Appendix
DRIVER 6: TALENT AND CULTURE		
103	Management Approach (DMA)	Talent and Culture, pp. 70 and 71
103-1	Explanation of the material topic and its boundary	Talent and Culture, p. 70
103-2	The management approach and its components	Talent and Culture, pp. 70 and 71
103-3	Evaluation of the management approach	Talent and Culture, pp. 70 and 71
102-41	Collective bargaining agreements	Integrated Report Appendix
401-1	New employee hires and employee turnover	Integrated Report Appendix
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Integrated Report Appendix
404-1	Average hours of training per year per employee	Talent and Culture, p. 71; Integrated Report Appendix
404-3	Percentage of employees receiving regular performance and career development reviews	Integrated Report Appendix
405-1	Diversity of governance bodies and employees	Sustainability Vision, p. 66; Talent and Culture, p. 70.
405-2	Ratio of basic salary and remuneration of women to men	Integrated Report Appendix
412-2	Employee training on human rights policies or procedures	Integrated Report Appendix
403-9	Work-related injuries	Integrated Report Appendix
403-10	Work-related ill health	Integrated Report Appendix
GA-SST01	Frequency rate of work-related ill health of employees	Integrated Report Appendix
GA-SST02	Frequency rate of work-related ill health of contractors	Integrated Report Appendix
GA-SST03	Frequency rate of employee injuries in time lost	Integrated Report Appendix
GA-SST04	Frequency rate of contractor injuries in time lost	Integrated Report Appendix



To see the appendices of the Integrated Report, scan this code.

Independent Review Memorandum

Independent Review of the 2019 Integrated Report – Grupo Argos

Responsibilities of the Management of Grupo Argos and Deloitte

The preparation of the 2019 Integrated Report of Grupo Argos, between January 1st and December 31 of 2019, and its content are the responsibility of the organization which is also responsible for defining, adapting and maintaining management systems and internal control which information is obtained.

Our responsibility is to issue an independent report based on the procedures applied and previously agreed upon for our review.

This Report has been prepared exclusively in the interest of the organization in accordance with the terms of our proposed services. We do not assume any liability to third parties other than the Management of the Company.

We have performed our work in accordance with the Independence regulations required by the ethics code of the International Federation of Accountants (IFAC).

The scope of a limited review is substantially less than an audit. Therefore, we do not provide an audit about the Annual Management Report.

Scope of Our Work

We have carried out the review of the content adaptation of Grupo Argos Integrated Report 2019, to the Guide for the preparation of Sustainability Reports of the Global Reporting Initiative (GRI Standards).

Standards and review processes

We have carried out our work in accordance with ISAE 3000 - International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accounts (IFAC).

Our review work consisted in the formulation of questions to the Administration, as well as to the different areas and operations of Grupo Argos that have participated in the elaboration of the Integrated Report 2019, in the application of analytical procedures and tests of revision by sampling that is described below:

- Interviews with Grupo Argos employees to know about the principles, management approaches and data consolidation systems applied to prepare the Report.
- Analysis of how the content, structure and indicators were defined, based on the materiality exercise according to the GRI Standards
- Analysis of the processes to collect and validate the data presented in the report.
- Checking, by sample, testing and review of quantitative and qualitative evidence corresponding to the GRI, DJSI and Grupo Argos internal indicators included in the 2019 Integrated Report, and proper compilation from the data supplied by Grupo Argos the sources of information.

Confirmation that the 2019 Integrated Report of Grupo Argos has been prepared in accordance with GRI Standards: Core option "in accordance".

General contents:

It was confirmed that the report conforms to the requirements of the core option "in accordance" with the GRI Standards regarding the general basic contents.

Specific contents:

We review the management approach, the GRI, DJSI and internal contents of its material issues:

	GRI content and / or own indicator of Grupo Argos
Ethics and Corporate Governance	205-1, 205-2, 205-3, GA-EG04 Human Rights Engagement
Sustainability Vision	302-1, 303-5, 305-1, 305-2, 405-1, GA-VS01 Water consumption (m3) / million pesos (COP) of incomes, GA-VS3 Geographical diversity.
Identity and Relationship	415-1
Talent and Culture	401-1, 404-1, 404-3, 412-2, 403-9, 403-10

Conclusions

Based on the work carried out described in this report, the procedures carried out and the evidence obtained, no subject matter has come to our knowledge that leads us to think that the indicators within the scope of the review and included in the 2019 Integrated Report of Grupo Argos for the period between January 1 and December 31, 2019, have not met all the requirements for the preparation of reports, in accordance with the essential option of the Global Reporting Initiative (GRI) Standards. For those indicators of the GRI Standards where Grupo Argos did not report quantitatively (figures), only the qualitative information that included procedures, policies, evidence of activities carried out, among others, was reviewed.

Alternative lines of actions

Deloitte has provided Grupo Argos a report with the most significant alternatives of action for the future preparation of Reports, which do not modify the conclusions expressed in this report, also a few observations that will strengthen the consolidation, management, measurement and communication processes of the organization's sustainability performance.

Declaration of Independence

We confirm our independence from Grupo Argos. All of our employees carry out annual updates to the Ethics Policy where we promptly declare that we have no conflicts of interest with Grupo Argos, its subsidiaries and its stakeholders.

Deloitte asesores y consultores
Jorge Enrique Múnera D.
Partner | Bogotá, april 2020

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Self-Assessment of the Application of Integrated Reporting Principles and Disclosures

The 2019 Integrated Report has been prepared following the principles and elements of the International Integrated Report Council (IIRC) to report to stakeholders the material topics that affect the Organization's capacity to

generate value and its coordination with the business model and strategy, considering the different risks and opportunities that arise for the Business Group.

Integrated Reporting Guidelines Applied

Strategic Approach and Future Direction

Since the business model and the way in which the Holding Company creates value are presented from the beginning of the report, it provides information on the Organization's strategy and how it relates to the capacity to generate value in the short, medium and long term. The Our Business section presents the objectives and components of Grupo Argos' value creation process, which are part of sustainable action, as well as their use and effects on the capitals presented throughout the report, and the contribution of the management of said objectives and the strategic risks. The chapters describe the actions carried out and to be implemented by the Parent Company and its subsidiaries in the short, medium and long term for the achievement of the Holding Company's objectives. Grupo Argos will keep working to disclose its long-term goals in a timely manner and present the analyses conducted with respect to the perspectives of its businesses and investments in the national and international sphere.

Information Connectivity

This report has been structured to provide a holistic approach on the combinations, interrelationships and dependencies between the factors that affect the Organization's capacity to create value over time, as well as the connections between them and the objectives and performance of the Holding Company and its subsidiaries with respect to the material aspects. The material aspects have been grouped in the economic, social or environmental dimensions, which include Grupo Argos' strategic guidelines for its subsidiaries and the management of the Holding Company in each material aspect.

Stakeholder Engagement

The Grupo Argos 2018 Integrated Report provides information on the nature, mechanisms and quality of the

Organization's relations with its key stakeholders in the Stakeholder Engagement section, including how and to what extent the Organization understands, takes into account and responds to the legitimate expectations and interests of stakeholders to generate a value proposition and maintain permanent dialogs. In addition, throughout the report, we have highlighted how the management of material topics responds to these expectations and interests.

Materiality

A materiality analysis was conducted in 2018, in which representatives of different stakeholders were consulted, as well as sources of information on different local and international practices and standards, which enabled the identification of three priority topics, six significant topics and six emerging or maintenance topics. The results have been incorporated into this 2019 report, presenting qualitative and quantitative information better adapted to each material topic and to the positive and negative impacts generated by the Holding Company, and the way in which these are taken into account in the value creation process and in the investment or divestment decisions.

Concision

Progress has been made in adherence to the Integrated Reporting Framework by presenting a report that more clearly and concisely presents the most significant matters for the Holding Company and the relations that exist between them, the business model, the strategy and the way in which the Holding Company creates value in the short, medium and long term, as well as how the stakeholders have an impact on the management of the material topics.



■ Bogotá, Colombia



■ Medellín, Colombia

Reliability and Completeness

To prove the reliability of the reported information, we have subjected the reported data to an accounting audit by the KPMG S.A.S. firm, as Statutory Auditor of the Company. Senior Management reviewed and approved the Integrated Report and also put Deloitte & Touche in charge of the limited assurance of the social, environmental and economic indicators.

Compatibility and Consistency

By applying the guidelines of the Global Reporting Initiative (GRI) Standards “in accordance” with the Core option, information has been reported based on what is constant over time and in a way that will allow the historical comparison of the Holding Company and its subsidiaries, as well as with other organizations of the sector. Below are the elements of the Integrated Report's framework that have been applied in the creation of this report.

	Aspects Included	Section
General Vision of the Organization and the External Environment	Business model and its relationship with the creation of value	Our Business
	Grupo Argos' share portfolio	Management Report
	Geographical presence of the holding company's businesses	About Us
Corporate Governance	Structure of the Board of Directors and the Steering Committee	About Us / Board of Directors, Steering Committee, CEO Committee Chapter: Ethics and Corporate Governance
	Committees and responsibilities of the Board of Directors	
	Good practices for the Board of Directors: appointment, election, remuneration, training and evaluation of the Board of Directors	
	Codes and guides for ethical behavior in the Holding Company	Chapter: Ethics and Corporate Governance
Business Model	Business model and its relationship with the creation of value	Our Business
Risks and Opportunities	Strategic risks and mitigation activities of the Holding Company	Our Business / How We Generate Value Chapter: Sustainability Vision
	ESG risks and opportunities of the Holding Company	
Strategy and Allocation of Resources	Business model for obtaining results	Our Business Sustainability Vision
	Sustainability Strategy	
Performance	Financial performance of subsidiaries	Management Report. Chapter: Efficient Management of Capital, Financial Statements
	Performance and results for the Holding Company and its subsidiaries in the triple bottom line accounting framework	Chapters: Sustainability Vision, Talent and Culture, Ethics and Corporate Governance
Future Projection	In stakeholder engagement	Our Business / Stakeholders
	In management of ethics, transparency and anti-corruption mechanisms	Chapter: Ethics and Corporate Governance
	In financial capital management	Management Report. Chapter: Efficient Management of Capital, Financial Statements
	In intellectual capital management	Chapter: Sustainability Vision
	In industrial capital management	About Us: Celsia 2019 Integrated Report, Cementos Argos 2019 Integrated Report, Odinsa 2019 Annual Report
	In natural capital management	Chapter: Sustainability Vision
	In human capital management	Chapter: Talent and Culture
	In share capital management	Chapter: Sustainability Vision, Talent and Culture, Fundación Grupo Argos Report
Basis for Preparation and Presentation	Contextualization and progress of the Integrated Report	About this Report
	Identification of material aspects as regards sustainability and value creation	Our Business / How We Generate Value, Materiality Analysis

In conclusion, there has been positive progress with respect to compliance with the Integrated Reporting Framework compared to 2018 and the necessary steps have been taken to ensure the integrity thereof. Even so, the Business Group is aware of the challenges and opportunities for improvement to move increasingly closer to full compliance with the framework.


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GRAPHICAL AND DESIGN EDITING

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The Grupo Argos teams took part in the preparation of this Integrated Report, under the coordination of Sustainability and Communications.