

# CERTIFICATION OF THE LEGAL REPRESENTATIVE OF THE COMPANY

Barranquilla, February 24, 2017

**To the attention of the shareholders of Cementos Argos S. A. and the general public:**

As legal representative of the company, I hereby certify that the consolidated financial statements as of December 31, 2016, which have been made public, do not contain any material flaws, imprecisions, or errors that could interfere with understanding of the actual assets and financial position or transactions made by Cementos Argos S. A. during the reporting period.



**Juan Esteban Calle**  
Legal Representative  
Cementos Argos S. A.

# LEGAL REPRESENTATIVE AND CORPORATE ACCOUNTING MANAGER OF THE COMPANY

Barranquilla, February 24, 2017

## To the attention of the shareholders of Cementos Argos S. A.:

We, the undersigned Legal Representative and Corporate Accounting Manager of Cementos Argos S. A., hereby certify that the consolidated financial statements of the company as of December 31, 2016 and 2015, have been faithfully taken from the accounting books and that the following statements have been verified before being disclosed to the shareholders and third parties:

- a) All assets and liabilities included in the company's financial statements as of December 31, 2016 and 2015 exist and all transactions included in those financial statements have been made during the years ending on those dates.
- b) All the economic activities carried out by the company during the years ending on December 31, 2016 and 2015 have been recorded in the financial statements.
- c) Assets represent probable future economic benefits (rights) and liabilities represent probable future financial commitments (obligations), obtained or accrued by the company as of December 31, 2016 and 2015.
- d) All items have been recorded with their proper values in accordance with financial reporting standards applicable in Colombia.
- e) All economic events that affected the company were correctly classified, described, and disclosed in the financial statements.



**Juan Esteban Calle**  
Legal Representative  
Cementos Argos S. A.



**Óscar Rodrigo Rubio C.**  
Corporate Accounting Manager  
T. P. 47208-T



## STATUTORY AUDITOR'S REPORT

### To the shareholders of CEMENTOS ARGOS S.A.:

#### Report on Consolidated Financial Statements

I have audited the consolidated financial statements of CEMENTOS ARGOS S.A. and its subsidiaries which comprise the consolidated statement of financial position as at December 31<sup>st</sup>, 2016, and the related consolidated income statement and other comprehensive income, changes in shareholders' equity and cash flow for the year then ended, and a summary of the main accounting policies and other explanatory notes. The consolidated financial statements as at December 31<sup>st</sup> 2015 which were audited by me and reported on February 25th, 2016 with no qualifications, are included for comparative purposes.

#### Management's Responsibility for the Consolidated Financial Statements

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

#### Statutory Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with International Auditing Standards accepted in Colombia. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatements in the financial statements. As part of the risk assessments the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriated in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and significant accounting estimates made by management, as well as evaluating the overall presentation of consolidated financial statement.

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

## **Opinion**

In my opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of CEMENTOS ARGOS S.A. and its subsidiaries as at December 31<sup>st</sup> 2016, as well as the results of all its operations, the changes in its equity, and the cash flows for the year then ended, in accordance with the Accounting and Financial Reporting Standards accepted in Colombia.

These financial statements and notes to the financial statements were translated into English for the convenience of readers outside Colombia from financial statements originally issued in Spanish.

February 24<sup>th</sup> 2017




**Cesar Augusto Arango Vélez**  
Statutory Auditor | T.P. 197463-T  
Designated by Deloitte & Touche Ltda.


**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**


As of December 31 | millions of Colombian pesos

	Notes	2016	2015
<b>ASSETS</b>			
Cash and cash equivalents	5	\$ 531,666	\$ 545,708
Derivative financial instruments	6	1,420	22,114
Other financial current assets	7	2,301	3,676
Trade receivables and other accounts receivable, net	8	1,318,499	1,071,587
Tax receivable	9	269,904	278,959
Inventories	10	839,247	727,709
Prepaid expenses		78,992	64,268
Assets held for sale or for distribution to owners	18	8,373	10,114
<b>Total current assets</b>		<b>\$ 3,050,402</b>	<b>\$ 2,724,135</b>
Trade receivables and other accounts receivable, net	8	111,920	35,628
Investments in associates and joint ventures	12	79,529	81,857
Derivative financial instruments	6	650	324
Other non-current financial assets	7	1,389,944	1,466,654
Other intangible assets, net	14	1,117,529	1,202,700
Biological assets	11	20,870	20,242
Property, plants, and equipment, net	15	11,078,053	9,373,182
Investment property, net	16	153,976	153,033
Goodwill	17	1,753,268	1,836,087
Deferred tax assets	9	396,172	550,883
Prepaid expenses and other assets		4,490	2,273
<b>Total non-current assets</b>		<b>\$ 16,106,401</b>	<b>\$ 14,722,863</b>
<b>TOTAL ASSETS</b>		<b>\$ 19,156,803</b>	<b>\$ 17,446,998</b>
<b>LIABILITIES</b>			
Financial liabilities	19	2,485,743	1,145,372
Trade liabilities and accounts payable	22	1,118,894	988,134
Taxes, liens, and duties	9	238,443	323,805
Employee benefits	23	146,716	145,041
Provisions	24	88,947	86,055
Other financial liabilities	25	-	45,019
Derivative financial instruments	6	102,555	-
Outstanding bonds and preferred shares	26	475,621	263,840
Prepaid income and other liabilities	25	181,198	154,955
Liabilities associated with assets held for sale or for distribution to owners	18	824	856
<b>Total current liabilities</b>		<b>\$ 4,838,941</b>	<b>\$ 3,153,077</b>
Financial liabilities	19	2,402,996	2,283,782
Trade liabilities and accounts payable	22	9,497	10,495
Employee benefits	23	287,129	245,395
Derivative financial instruments	6	8,901	172,156
Provisions	24	180,670	186,920
Outstanding bonds and preferred shares	26	1,948,877	1,984,955
Other liabilities	25	43,063	8,720
Deferred tax liabilities	9	363,150	663,992
<b>Total non-current liabilities</b>		<b>\$ 5,244,283</b>	<b>\$ 5,556,415</b>
<b>TOTAL LIABILITIES</b>		<b>\$ 10,083,224</b>	<b>\$ 8,709,492</b>
<b>EQUITY (SEE ATTACHED STATEMENT)</b>		<b>\$ 9,073,579</b>	<b>\$ 8,737,506</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$ 19,156,803</b>	<b>\$ 17,446,998</b>

Notes are an integral part of the consolidated financial statements.

  
**Juan Esteban Calle**  
 Legal Representative  
 (See attached certification)

  
**Óscar Rodrigo Rubio C.**  
 Corporate Accounting Manager  
 T.P. 47208-T (See attached certification)


  
**César Augusto Arango Vélez**  
 Statutory Auditor | T.P. 197463-T  
 Appointed by Deloitte & Touche Ltda.  
 (See attached report)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**


As of December 31 | millions of Colombian pesos

	Notes	2016	2015
<b>CONTINUING OPERATIONS</b>			
Income from operations	32	\$ 8,517,382	\$ 7,912,003
Cost of sales	10	6,595,353	6,097,927
<b>Gross profit</b>		<b>\$ 1,922,029</b>	<b>\$ 1,814,076</b>
Administrative expenses	34	699,310	598,662
Selling expenses	35	263,373	264,387
Other income (expenses) from operations, net	36	79,532	(11,608)
Impairment of goodwill and non-current assets	17	56,517	234
<b>Operating profit</b>		<b>\$ 982,361</b>	<b>\$ 939,185</b>
Financial expenses, net	38	340,828	274,963
Foreign currency exchange gains, net		30,157	33,107
Share of net loss of associates and joint ventures		(1,824)	(787)
<b>Profit before income tax</b>		<b>\$ 669,866</b>	<b>\$ 696,542</b>
Income tax	9	107,354	126,905
<b>Income from continuing operations for the year</b>	<b>39</b>	<b>\$ 562,512</b>	<b>\$ 569,637</b>
Net discontinued operations, after tax	18	-	(13,315)
<b>NET INCOME FOR THE YEAR</b>		<b>\$ 562,512</b>	<b>\$ 556,322</b>
<b>Income for the period attributable to:</b>			
Owners of the parent company		419,970	491,357
Non-controlling interest	31	142,542	64,965
<b>Net income for the year</b>		<b>\$ 562,512</b>	<b>\$ 556,322</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAXES</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Loss on new measurements of defined benefits obligations		\$ (40,019)	\$ (9,982)
Gains (losses) from equity investments measured at fair value		159,965	(257,854)
Income tax on items that will not be reclassified to profit or loss		26,049	3,830
<b>Total items that will not be reclassified to profit or loss</b>		<b>\$ 145,995</b>	<b>\$ (264,006)</b>
<b>Items that will be reclassified to profit or loss:</b>			
Net profit (loss) of cash-flow hedging instruments		15,109	(5,929)
(Losses) gains from foreign currency translation differences		(363,944)	1,235,118
Income tax on items that will be reclassified to profit or loss		(6,391)	(3,534)
<b>Total items that will be reclassified to profit or loss</b>		<b>\$ (355,226)</b>	<b>\$ 1,225,655</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAXES</b>		<b>\$ (209,231)</b>	<b>\$ 961,649</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>\$ 353,281</b>	<b>\$ 1,517,971</b>
<b>Other comprehensive income attributable to:</b>			
Owners of the parent company		(160,716)	836,090
Non-controlling interest		(48,515)	125,559
<b>Other comprehensive income</b>		<b>\$ (209,231)</b>	<b>\$ 961,649</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent company		259,254	1,327,447
Non-controlling interest		94,027	190,524
<b>Total comprehensive income</b>		<b>\$ 353,281</b>	<b>\$ 1,517,971</b>
<b>Earnings per share:</b>			
Basic, net income attributable to owners of the parent	40	364,66	426,65
Basic, net income from continuing operations attributable to owners of the parent		364,66	438,21
Basic, net income from discontinued operations attributable to owners of the parent		-	(11,56)

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

 **Juan Esteban Calle**  
Legal Representative  
(See attached certification)

 **Óscar Rodrigo Rubio C.**  
Corporate Accounting Manager  
T.P. 47208-T (See attached certification)

 **César Augusto Arango Vélez**  
Statutory Auditor | T.P. 197463-T  
Appointed by Deloitte & Touche Ltda.  
(See attached report)

Cementos Argos S. A. and subsidiaries

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

As of December 31 | millions of Colombian pesos

	Issued Capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Other comprehensive income and other components	Equity attributable to the owners of the parent company	Non-controlling interest	Equity
<b>Balance as of January 1, 2015</b>	<b>1,558,290</b>	<b>(113,797)</b>	<b>19,131</b>	<b>1,138,498</b>	<b>1,918,364</b>	<b>2,527,149</b>	<b>7,047,635</b>	<b>466,488</b>	<b>7,514,123</b>
Net income for the period	-	-	-	-	491,357	-	491,357	64,965	556,322
Other comprehensive income for the period, net of income tax	-	-	-	-	-	836,090	836,090	125,559	961,649
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>491,357</b>	<b>836,090</b>	<b>1,327,447</b>	<b>190,524</b>	<b>1,517,971</b>
Cash dividends	-	-	-	-	(204,998)	-	(204,998)	(39,683)	(244,681)
Appropriation of reserves	-	-	2,025	16,292	(18,317)	-	-	-	-
Other reserve movements	-	-	-	38,493	(38,493)	-	-	-	-
Business combinations	-	-	-	-	-	-	-	23,005	23,005
Wealth tax	-	-	-	(54,324)	(374)	-	(54,698)	(9)	(54,707)
Other movements	-	-	-	-	(9,883)	(43)	(9,926)	(8,279)	(18,205)
<b>Balance as of December 31, 2015</b>	<b>1,558,290</b>	<b>(113,797)</b>	<b>21,156</b>	<b>1,138,959</b>	<b>2,137,656</b>	<b>3,363,196</b>	<b>8,105,460</b>	<b>632,046</b>	<b>8,737,506</b>
<b>Balance as of January 1, 2016</b>	<b>1,558,290</b>	<b>(113,797)</b>	<b>21,156</b>	<b>1,138,959</b>	<b>2,137,656</b>	<b>3,363,196</b>	<b>8,105,460</b>	<b>632,046</b>	<b>8,737,506</b>
Net income for the period	-	-	-	-	419,970	-	419,970	142,542	562,512
Other comprehensive income for the period, net of income tax	-	-	-	-	-	(160,716)	(160,716)	(48,515)	(209,231)
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>419,970</b>	<b>(160,716)</b>	<b>259,254</b>	<b>94,027</b>	<b>353,281</b>
Transfer to retained earnings	-	-	-	-	209,090	(209,090)	-	-	-
Cash dividends	-	-	-	-	(230,334)	-	(230,334)	(68,448)	(298,782)
Cash dividends on preferred shares	-	-	-	-	(29,811)	-	(29,811)	-	(29,811)
Capitalization of reserves	584,023	-	-	(584,023)	-	-	-	-	-
Appropriation of reserves	-	-	167	358,211	(307,485)	-	50,893	-	50,893
Release of reserves	-	-	-	(50,893)	-	-	(50,893)	-	(50,893)
Changes in ownership with no loss of control	-	-	-	-	-	281,257	281,257	80,557	361,814
Wealth tax	-	-	-	(47,438)	-	-	(47,438)	(37)	(47,475)
Other movements	-	-	(396)	-	4,429	-	4,033	(6,987)	(2,954)
<b>Balance as of December 31, 2016</b>	<b>2,142,313</b>	<b>(113,797)</b>	<b>20,927</b>	<b>814,816</b>	<b>2,203,515</b>	<b>3,274,647</b>	<b>8,342,421</b>	<b>731,158</b>	<b>9,073,579</b>

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



**Juan Esteban Calle**  
Legal Representative  
(See attached certification)



**Óscar Rodrigo Rubio C.**  
Corporate Accounting Manager  
T.P. 47208-T (See attached certification)



**César Augusto Arango Vélez**  
Statutory Auditor | T.P. 197463-T  
Appointed by Deloitte & Touche Ltda.  
(See attached report)


**CONSOLIDATED STATEMENT OF CASH FLOWS**

As of December 31 | millions of Colombian pesos


	Notes	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>NET INCOME</b>		\$ 562,512	\$ 556,322
<b>Adjustments to reconcile profit:</b>			
Depreciation and amortization		611,602	580,271
Income tax		107,354	126,905
Net financial expenses		378,945	277,165
Provisions, post-employment, and long-term defined benefit plans		13,830	27,950
Net impairment losses		73,183	21,724
(Gain) loss from exchange difference		(64,133)	282,032
Net (gains) losses on fair value measurement		849	10,261
Share of net loss of associates and joint ventures		1,824	787
Net (gains) losses on the disposal of non-current assets		(63,499)	864
Others, net		(45,607)	(32,763)
<b>Changes in the working capital of:</b>			
Increase in inventory		(49,103)	(58,376)
(Increase) decrease in receivables and other accounts receivable		(501,795)	605,170
Increase (decrease) in liabilities and other accounts payable		3,444	(1,110,080)
<b>Total adjustments to reconcile profit</b>		<b>466,894</b>	<b>731,910</b>
<b>Net cash flows from operating activities</b>		<b>\$ 1,029,406</b>	<b>\$ 1,288,232</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash flows used to obtain control of subsidiaries or other businesses	42	(2,088,959)	(43,701)
Acquisition of financial assets		(10,648)	(284)
Proceeds from sale of financial assets		237,787	8,867
Acquisition of investment in associates and joint ventures		(2,890)	(170)
Other charges for the sale or liquidation of investment in associates and joint ventures		2,323	-
Proceeds from the sale of property, plant and equipment, and investment properties		100,676	27,054
Purchase of property, plants, and equipment and investment properties		(746,842)	(688,177)
Purchase of intangible assets		(10,124)	(15,740)
Dividends received		35,360	31,167
Payments from financial derivatives contracts		(33,248)	(106,312)
Collection from financial derivatives contracts		24,456	16,091
<b>Net cash flows used in investing activities</b>		<b>\$ (2,492,109)</b>	<b>\$ (771,205)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans		6,302,204	3,310,956
Payments of loans and debt instruments		(4,565,265)	(3,123,908)
Proceeds from bond issue		399,218	-
Payment of outstanding bonds		(212,561)	(191,400)
Payments for finance lease liabilities		(30,355)	(44,991)
Dividends paid	30	(292,448)	(241,226)
Dividends paid on preferred shares		(45,082)	(48,325)
Interest paid		(353,667)	(257,037)
Disposals of ownership interests with no loss of control		288,008	-
<b>Net cash flows from (used in) financing activities</b>		<b>\$ 1,490,052</b>	<b>\$ (595,931)</b>
<b>INCREASE (DECREASE) OF CASH AND CASH EQUIVALENT BY OPERATIONS</b>		<b>\$ 27,349</b>	<b>\$ (78,904)</b>
Net effect of foreign currency translation on cash and cash equivalents		(41,391)	98,748
<b>Net (decrease) increase of cash and cash equivalent</b>		<b>(14,042)</b>	<b>19,844</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>552,215</b>	<b>532,371</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>\$ 538,173</b>	<b>\$ 552,215</b>

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

Las notas son parte integral de los estados financieros consolidados.

 **Juan Esteban Calle**  
Legal Representative  
(See attached certification)

 **Óscar Rodrigo Rubio C.**  
Corporate Accounting Manager  
T.P. 47208-T (See attached certification)

 **César Augusto Arango Vélez**  
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