

## TRANSCRIPTION OF THE EVENT

### QUARTERLY REPORT: FOURTH QUARTER, 2016

Good morning. We welcome you to the conference on the Constructora Conconcreto Fourth Quarter 2016 results. Before beginning, we would like to give you some tips on how to use the platform. If you are watching this via streaming, in the left margin of your screen you will find a space where you may send us your questions. Also, in the upper right margin, you may enlarge the screen to see the presentation better. If you wish to download the presentation document, you will find an icon at the lower right. Also, you will find another icon to download the report, a document that contains more detailed information regarding the quarter. If you are connected via telephone, remember that at any time, if you press the nine (9) key, you will be transferred to the Question Line, where you will be attended by an operator. If you wish to download the presentation document, the report of results or the financial statements with their notes, please enter our Webpage ([www.conconcreto.com/inversionistas/informestrimestrales](http://www.conconcreto.com/inversionistas/informestrimestrales)). When Doctor Juan Luis Aristizábal Vélez ends his presentation, we will answer the questions according to their order of arrival. With this brief introduction, I give the floor to Doctor Juan Luis Aristizábal, Constructora Conconcreto CEO. Please begin your presentation.

Good morning to all of you and thank you for joining us in this presentation of the Constructora Conconcreto Fourth Quarter 2016 results. During the 2016 year, Conconcreto participated in major projects: In the presentation, we will give an introduction of those megaprojects where we have participated and then we will look at the numbers of the Company's results. This was a very interesting since the participation strategy in large concession projects was consolidated because we advanced in megaprojects and because the Argos – Conconcreto partnership was consolidated through the entry of a new investor, which will allow us to generate jobs in the long term. In the first photo that appears here, is the *Hidroituango* Hydroelectric Center in Ituango, Antioquia. This is a work developed in consortium with Camargo, Correa and Conisa Ramonache. At this time we have progressed 66% of the work, and we expect to meet the goals of *Empresas Públicas de Medellín* to begin generation in November 2018. For the month of January 2017, this contract invoiced close to COP 70,000 million; this is one of the most active contracts of the Company. In the second photo appears the *Puente Binacional*, which joins Cúcuta with Ureña, Venezuela. This contract has two phases: The viaduct phase over the

river and the phase of all the urban planning works and booths connecting the Colombian side with the bridge. This contract was delivered and is the new connection between Cúcuta and Ureña. Unfortunately, with the close of the frontier between these two countries, this infrastructure work has not had the use for which it was designed. In the next photo appears the Rafael Uribe Uribe Highway Interchange, to the south of the Aburrá Valley. This is an urban construction that decongests the traffic in all the southern part of the Aburrá Valley, in the municipalities of La Estrella, Sabaneta and Itagüí. This work adds great value to the mobility in the south of the Aburrá Valley. It is a viaduct, measuring 490 meters long in each of the lanes; each lane is 8.40 meters wide. It is a work that, most importantly was carried out with minimum impact on the mobility in the south of the Aburrá Valley and at this time, has improved service for users. The next project is *Boscoal*, a grain and coffee terminal in Phase One. There are two contracts: the construction of the dock that is seen in the upper part of the photo with the red cranes and all the works in urban planning and movement of land in everything that are the storage yards and production centers inside the port. This work is being delivered to the client at this time and it will be inaugurated in March 2017, but the first ships began operating there in October 2016. The next photo shows the *La Felicidad* multi-plaza Shopping Center in Bogotá. It is a work measuring 65,000 m<sup>2</sup>, one of the largest shopping centers in Bogotá. It is a new project in the *Grupo Roble* expansion strategy in Colombia; we built a shopping center with them in Panama City and at this time, we are providing only construction services. In the next photo is *Hotel Estelar* in Cartagena; this is the tallest building in the city of Cartagena in Bocagrande. It has a very important challenge, which is the construction of a work of this magnitude in an area where there are not storage yards or logistics areas to execute this megaproject. In the next photo appears the *Antares* Shopping Center in Soacha, Cundinamarca. This shopping center is the strategy of PACTIA, part of the PACTIA real-estate fund. The shopping center was inaugurated in 2016; it is already in operation and has occupancy levels of more than 90%, according to budgets, and is already consolidating everything that is the retail strategy in a shopping center. And, finally, to complement, we have some housing projects in which we are participating, with an innovation strategy, to optimize everything related to times and construction costs. These models also allow us to repeat real-estate projects to have competitive advantages in the market and we are developing this strategy to be a company that industrialized the production of housing and to have greater efficiency in construction. In the next photo we have *Alegro* in Barranquilla, which is also found in this same strategy. All of these are important works in the area of Construction, generating nearly 10% - 15% of the Company's billing volume and, obviously, our focus on infrastructure,

but we are complementing both with the PACTIA strategy as well as with the housing strategy.

In the next section, we now enter the relevant events of the Fourth Quarter 2016. The most important event at the end of 2016 was the start-up of the *Vía Pacífico* Project, which is the connection between Buga and Buenaventura. This project has an investment of COP 1.2 billion. There we have a 33% stake with two *Grupo Solarte* companies. We are in the pre-construction phase; we have operation and maintenance. The designs are being made; we are obtaining the licenses, purchasing properties to begin construction in the Fourth Quarter 2017. This is one of the most-important road-concession projects in the country, due to the expansion and growth of Colombian imports and exports through the Port of Buenaventura and because the port we showed you before, *Boscoal*, together with other investments in the ports in Buenaventura will increase traffic in this road.

In *Vía 40 Express*, which is the connection between the south of Bogotá and Giradot, we are also in operation, which began on December 1, 2016. This was an important experience for the Company because on this date, December 1, 2016, the holiday season began. This is one of the roads with the most traffic in the country and receiving the operation and maintenance of a road with this volume of traffic implies some important challenges for a company that possesses it. Both roads are currently operating smoothly and we are complying with all the requirements of the National Infrastructure Agency (*Agencia Nacional de Infraestructura*, ANI) in the terms of the service indicators.

The other relevant fact is the consolidation of the PACTIA real-estate portfolio as a Private Equity Fund, called the PACTIA Real-Estate Private Equity Fund. Here, by decision of both partners of the Grupo Argos and Concreto partnership, we invited *Protección* to contribute up to COP 600,000 million in three (3) years and the first call for capital was made. The amount was COP 165,000 million, allowing us to consolidate a strategy alliance among three big players in the real-estate business and above all, with an ally such as *Protección*, which will allow us to leverage and sustain the investment growth strategy in real-estate assets.

In the next table we have the results of the Company's operations. Company revenues rose from COP 1.2 billion in 2015 to COP 1.47 billion in 2016. This represents a 21% growth in 2016, compared to 2016. However, if we eliminate the revenue from the real-estate portfolio we had during the first eight (8) months of the year, in 2015 when we operated the PACTIA Fund,

growth was approximately 30%. This is significant growth for the Company, primarily represented in construction activities, as you can see in the lower left part of the table, where construction revenues rose from COP 985,000 million to COP 1.11 billion. Here we had more activity in construction works, especially in infrastructure, for the projects I showed you in the previous slides. In investment revenue, we had a 42% decrease; this also has to do with 2015, where we had very high income from January to August 2015, for the internal operation that was made all the real-estate assets. If we eliminate all these revenues corresponding to investment in 2015, growth was 14%, which in investment we also had significant progress with the normalization of these two figures. In cash generation, the Company's EBITDA rose from COP 265,147 million in December 2015 to COP 340,987 million. This is a decrease of 9%, but it is impacted by two important events: First, the EBITDA – or EBITDAR, if you remember that this is what it was called in 2015 and in 2014 – generated by the real-estate trust or by the real-estate assets that were in Concreto and the greater value or generation of EBITDA for the transfer of assets from Concreto to the PACTIA Real-Estate Trust between Argos and Concreto. If we subtract the effect of these COP 41,542 million, which is the transfer of assets to PACTIA, the EBITDA grew 8%. In the lower part of the table, we show the Construction EBITDA, which rose from COP 119,204 million to COP 155,833 million. In all these graphs, you see the numbers discriminated by Company activities, both in the area of Investment as well as in the area of Construction. In the generation of EBITDA, it is important to highlight – and you can also see it in Revenue – the importance Infrastructure has in the Company's operation. This Company is an infrastructure company; it will continue to be a company of large infrastructure projects and within the long-term strategy, this is our focus. In the lower right appears the EBITDA of the Investment activity. In December 2015, the EBITDA was COP 170,987 million; in December 2016, it was COP 99,356 million. This is a decrease of 34%; by subtracting the COP 41,542 million for the transfer of assets to the PACTIA partnership, the decrease is 14%. However, I make the clarification that in 2015, from January to October, this figure also included the operation of the real-estate assets within the Constructora Concreto NIT (Colombian Tributary Identification Number).

In relevant facts of the Company's operation, noteworthy in the following graph is the Company's Backlog at the close of December 2016, which was COP 3.13 billion. If you look at the figures, the Company's billing – the Company's total revenues – was COP 1.4 billion, but of those construction figures, construction activities that are directly related to the Backlog amount to COP 1.092 billion. So basically, today the Company has nearly three (3) years of operation

already contracted in the Backlog for the construction activity. This gives us peace of mind that in the next three (3) years, we will have to have a strategy to seek those market niches where there are better margins and where there is an opportunity to display all the Company's competitive advantages. It is also very important that at the beginning of the year the Company started with COP 1.057 billion in contracts already adjudicated to be executed. If we compare this information, this means that the Company began January with almost a volume of contracts in execution of construction activities similar to everything that was executed in 2016. Normally, these companies work with between 6 to 18 months of anticipation to get contracts, but we are almost guaranteed that we will surpass the volume of the construction activity for 2016. The lower part shows the evolution of the Backlog from the Third Quarter to the Fourth Quarter of 2016. There, you can see in Infrastructure, COP 198,139 million was executed and COP 63,740 million was contracted. In Building, COP 156,544 million was executed and COP 64,168 million was contracted. And in Housing, COP 48,508 million was executed and COP 46,808 million was contracted. The last quarter of the year, mainly due to the close of all our clients and companies and budgets of government entities, it is usually a year hiring is not very active and for that reason, some execution figures a little higher than the hiring figures are reflected. It is also important to highlight that in the Company's Backlog, 66% corresponds to Infrastructure, which is the focus or central business of the Company; 19% corresponds to Building and 15%, to housing. In the Building activity, we are fully aligned with the PACTIA strategy, which has a significant investment capacity of more than one (1) billion Pesos for the next five (5) years and we have a partnership in which Concreto is providing construction services for all these expansion businesses.

The next graph shows the Company's current investments in concessions. The first is the *Devimed* Concession, which is the exit from Medellín to Bogotá. Here we can see that the average daily traffic (ADT) rose from 34,015 vehicles in 2015 to 35,585 vehicles in 2016. This represents a real increase of 4.6% in traffic that, if we add the increase in tolls, represents a growth of nearly 10% in operating revenues. In the CCFC Concession, which the exit from Bogotá to the southwest of the Savannah, we had an ADT of 24,488 vehicles in 2015 to 24,792 vehicles in 2016. In terms of revenues, we increased from COP 76,904 million to COP 143,990 million, but this growth is impacted or is basically related to the construction activity that this Concession is doing in additional works within the contract.

The next table is a very compact X-Ray of that the PACTIA Real-Estate Fund activity is and the

relevant facts. The PACTIA Real-Estate Fund, or the Argos – Concreto partnership before being a private equity fund, had effective net income for COP 179,147 million in 2016; a net operating income of COP 120,703 million; a consolidated EBITDA of Cop 100,133 million; and a net profit of COP 93,353 million. There is a non-recurrent profit of COP 5,618 million for the sale of non-strategic assets, but the most important fact is that the Cap rate of the stabilized productive assets is 9.1%. Today, as of December 2016, according to the equity contribution that the two partners have made, Concreto's stake in the real-estate fund is 55.9%; Grupo Argos' stake is 44.1%, and we continue with the commitment that Argos has the option, and it is doing it, to match Concreto's participation. In terms of the GLA as of December 2016, the fund had 504,384 m<sup>2</sup> in operation, with a net income or operating income of COP 120,703 million. This fund has, in turn, a growth strategy, as I have already mentioned, to reach a figure of more than 700,000 m<sup>2</sup> of GLA at the close of 2019.

The next table shows the housing projects. It is very important to emphasize that in Housing, the Concreto strategy is centralized or focused on social-interest and middle-class housing; we are a company that is dedicated to industrializing and standardizing construction processes to be efficient in the niches of the housing business. We also have a control or large-participation strategy in a low number of projects; today, we participate in 14 construction projects, five (5) pre-sale projects, and there are 847 units for sale, which we basically expect to sell in the next 12 months following this report. In general terms, we expect to be and we are conservative regarding the housing business. To date, the activity in SEC strata 2, 3, 4 and part of 5, continues to be active; the two upper SEC strata (5 and 6) has slowed down. Concreto is more in SEC strata 3, 4 and a little bit of 5 and we believe that with the policy of the *Banco de la República* to initiate a decrease in interest rates will reactivate construction. The interest rate is the biggest deterrent that the housing business can have.

The following section is the consolidated financial results of Fourth Quarter 2016. The first table shows the most important indicators. In Income, as I have already mentioned, we have a 21% growth; the EBITDA went from 21.8% to 16.4% but basically this decrease is directly related to the transfer of real-estate assets in 2015 to the real-estate fund or the PACTIA Real-Estate Portfolio. We had high growth in income through the equity method, rising from COP 40,039 million to COP 99,543 million, equal to 149%. This also has to do with the recomposition of the PACTIA Real-Estate Portfolio and the growth of the affiliates. In 2016, income from PACTIA was reflected in the Financial Statements through the equity method. We have an 8% increase



in the net profit; a 23% growth of the Backlog, which is the guarantee or stability of the Company in the medium term into the future. The financial indebtedness grew 8%, which we will explain later on, and a net debt EBITDA indicator that rose from 0.98 to 1.65.

The following table shows the consolidated financial results as of the Fourth Quarter 2016. Basically, what is noteworthy there is the change in the gross profit, which is related to the PACTIA Real-Estate Portfolio, where there was a movement of income from the upper part of the operating income or the income from ordinary activities, as they are now called in international financial information standards, to transfer some of the income to the equity method, especially in PACTIA. The great change in the comparison between 2015 and 2016 is related to the transfer of the Concreto real-estate assets to PACTIA and the accounting of the equity method and, especially, also in the profits that we had in the contribution of the assets to the PACTIA Real-Estate Fund, which is also reflected in the Financial Statements. Operating income went from COP 181,371 million to COP 112,355 million; basically, this has to do with the COP 41,000 million that I mentioned for the transfer of Concreto assets to PACTIA. The before-tax profit rose from COP 144,467 million to COP 150,382 million, a 4.1% increase; here we have a little consolidation of the transfer of assets and we can see that the effect is neutral or it is simply accounted for in different lines of the Financial Statements, but PACTIA's operation is already more stabilized in everything that has to do with income or before-tax profit. As I mentioned, the EBITDA this year was COP 240,987 million; in the lower part you can see the Company's margins. The gross margin is COP 13.6 billion; it had a decrease compared to the previous year. The gross margin basically has to do with the composition of the construction-activity portfolio and, in general, it is a significant or interesting margin for the construction activity, if we compare it with other international – or at least regional – companies. The operating margin went from 14.9% to 7.6%. As you can see there, there is a big impact on the equity method in the comparison of 2015 to 2016; basically, this is where part of the income from PACTIA and the profits from PACTIA or all the real-estate assets that were above the operating profit passed to the equity method. The before-tax profit was 10.2% and the net profit, the indicator or margin was 7%, which is an important or noteworthy indicator for a construction company; the EBITDA margin was 16.4%. In all these indicators and in general, the Company's performance in 2016 was remarkable for all; it is well known that 2016 was a difficult, uncertain, year. We had many ups and downs; we had expectations about the tax reform; we had many macroeconomic variables that impacted the economic activity of the country. We hope that we will see 2017 more clearly and have finished 2016 with some remarkable results, which are

important for the Company.

The following table shows the Company's balance sheet or the consolidated financial situation; the Company's total assets amounted to COP 3 billion, 253,000 million. The current liability is COP 1 billion, 263,000 million; the long-term liability is COP 643,000 million. The total liability is COP 1 billion, 906,000 million. Today, the Company's equity amounts to COP 1 billion, 346,000 million, which is a remarkable figure among the construction companies in the country and shows the Company's strength to face all these great infrastructure challenges into which we are venturing now. The Company's equity grew 5.1% over 2015, while Company assets grew 5.8% compared to the previous year. Financial obligations and all consolidated liabilities reflect the Company's indebtedness, where we have included the debt for the Construction Business, the Investment Business, the Housing Business, affiliates, consortia and the Company's Corporate Business. It is important to highlight that the greatest growth in indebtedness or financial obligations is in the area of Company investments. At this time, we are making investments in infrastructure projects as well as some investments in housing projects on land that was approved during 2015 and part of 2016; payment has been deferred over time. Today, we have a strategy of being more conservative in investments in housing and some of these lands that are still in the pre-operational stage, obtaining construction licenses or making partial plans to be passed to the housing area and there, begin to generate or return the Company's cash. You can see a decrease in the indebtedness of the consortia; we went from COP 163,000 million to COP 129,000 million. Housing debt rose from COP 146,000 million to COP 186,000 million; this is a significant growth of COP 40,000 million, but all are projects that are meeting the sales targets. In general, this is a company that has an important activity; our business has equity contributions, contribution of resources to purchase land for housing and also the strategy to consolidate the PACTIA Real-Estate Portfolio. The Company preserved part of the liabilities it had in the real-estate assets, which were transferred to the PACTIA Trust and with the dividends and cash generation of that real-estate fund, we will sell part of the liabilities that appear in yellow, which amount to COP 471,000 million. At this time, both the Administration as well as the Board of Directors are calm about the Company's level of indebtedness; we are more concerned about the cost of debt, which is on the right side of the table, which has had significant increases since 2014. We rose from an average cost of 8.13% to 10.96%; this has a major impact on the Company's results and you see this in the financial expenses. We hope that the trend of the current central-bank rate continues to show declines and, thus, we may have a lower cost in financial obligations.



The following chart shows the covenants. At this time, we have two (2): One is the financial debt divided by the EBITDA; this is an internal covenant and the goal is that it be less than four (4). At this time, the net financial debt divided by EBITDA is 1.65%. We want to make it clear: in 2016, we had the resources contributed by Grupo Vinco to purchase 20% of Concreto's capital, and this was invested these investments are in high-liquidity, low-risk financial assets, generating some interest and some yields, but that are not accounted for within the EBITDA. So what we did with this indicator was to take the net of the financial debt – this is the financial cost minus the income generated by the Vinci resources – divided by the EBITDA, which gives us this value. In terms of the EBITDA over the financial expense, we also carried out the same exercise and today, the indicator in 3.89; the goal is to have it higher than 3.6; that is the EBITDA divided by the financial expense in 3.89 times, which also gives us absolute peace of mind on the Company's activity.

This concludes the presentation on the Company's Fourth Quarter 2016 results. We now open the space for questions. We are attentive to all the questions that you wish to ask. We will have a three-minute break for everyone to ask their questions and then we will begin with the answers. Thank you very much.

Thank you very much, Doctor Juan Luis. At this time we open the space for questions and answers. Remember that you can write us via Streaming in the question box in the left margin of your screens, or by pressing the nine (9) key by phone. We'll wait a few minutes to receive a few more questions.

We will begin with the question–and–answer session. The first question is from Germán Zúñiga from *Bancolombia*. Since he has asked several questions, I will read them one by one and then each will be answered. The first question is: *“What is the status of the equity contributions for the Vía Pacífico and Vía 40 Express projects?”*

In the *Vía Pacífico* project, COP 23,000 million were contributed in 2016 and we expect to contribute a total of nearly COP 90,000 million in 2017. In *Vía 40 Express*, 2016 contributions amounted to nearly COP 5,000 million; for 2017, we expect a contribution of nearly COP 80,000 million. This is to comply with the schedules of the contracts signed with ANI in the private-initiative modality.

His second question is: *“Economically, what impact has the closing of the Medellín – Bogotá highway generated in the Devimed Consortium?”*

The *Devimed* Consortium operates the Medellín – Bogotá highway and the Copacabana toll station, which was impacted by the landslide in the first days of the year; the road was fully closed for approximately 14 days and then had partial closings. The first thing is that there was a technical impact, which was to attend all the landslides; this had an approximate cost of COP 6,000 million, of which our contract foresaw that some of this cost corresponded to the Concessionaire and there are some important issues because here there is an effect of reasons not attributable to the Concessionaire for this landslide, which the grantor must recognize. At this time, we are in negotiations with ANI to see what part the grantor pays and what part corresponds to the Concessionaire. There was a significant loss of income in this toll station, but as there are only three (3) roads to leave Medellín, part of this toll collection was transferred to the *Las Palmas* toll station and, above all, there was a restriction of movement of heavy vehicles on the *Alto de las Palmas* alternate road to the airport, since all or most of the heavy traffic leaves on the Medellín – Bogotá highway, which was transferred to the *Las Palmas* alternate road, and there was no significant loss of income from tolls.

The third question is: *How dynamic do you see the real-estate sector in 2017 and the coming years?”*

This is an excellent question. The real-estate business works just like any other manufacturing or industrial business in the world. There is an inventory; when more inventory is produced and there are fewer sales, there is an accumulation of inventory that has to be sold or placed in the following years in both the sales as well as the leasing modality. Today, all indicators show that there is an over-supply in business offices; the real-estate business is quite saturated and there are opportunities for market niches. In the logistics business, there is very high demand, especially due to the importance that logistics is taking in Internet sales and for the importance it is taking, moving from large units in ports to medium units in cities; so this is very dynamic. In general, Concreto, especially with its PACTIA partner, is currently conservative in the office business; we are working in shopping centers in capital cities where there is low retail penetration, high middle-class populations who have significant income and where there is also a low penetration in shopping centers. And in the logistics business, we are quite active.

The fourth question: *“Once the Financial Statements are comparable, what is the EBITDA margin the Company expects to achieve?”*

In its 2020 Vision, the Company has an EBITDA margin of between 12% and 14% of income. This EBITDA margin is quite complex; we have to look at it by segments and after the integration of the PACTIA Private Equity Fund, we are going to look at the Fund's EBITDA margin independently of Concreto's margin and then we will be able to analyze the EBITDA from construction and from investment separately, which is the ideal in these two businesses.

The next question is from Juan Fernando Rojas from *El Colombiano*: *“What are the Company's plans for 2017 in internationalization projects?”*

The Company continues to be very active in its operation in Central America through its affiliate in Panama. This year we expect to surpass the USD 100 million volume in construction contracts in Panama and we are working through our affiliate IMI for port constructions in Panama and in the Dominican Republic, and we expect to enter into other contracts in Central America. And, in general, we are looking at all those infrastructure works in our target market, which is the Andean Region and Central America, with the exception of Venezuela and Ecuador until there is more political stability. So today, our priority is Central America. We are also looking at the expansion potential of the PACTIA real-estate business where they believe it is convenient to continue expanding the real-estate portfolio.

Once again, Juan Fernando asks: *“How much are the total investments contemplated by Concreto in 2017, broken down by business?”*

In 2017, Constructora Concreto expects to invest nearly COP 260,000 million, of which the greatest part – nearly COP 200,000 million – are infrastructure equity; COP 32,000 million are housing projects and the other investments are in equipment, corporate investments – such as ICTs – and venue remodeling or renovation, etc. It is also very important that the PACTIA Real-Estate Fund, which is already independent of Concreto, expects to invest nearly COP 400,000 million in 2017.

Andrés Sánchez, Stock Broker, asks: *“What are the principal risks of losing the Bogotá –*

*Giradot highway contract? What is the percentage that is being carried out for the PACTIA equity participation, since it was previously 50%, but with the new contributions, how much is it?*  
First, we'll respond to the part regarding the Bogotá – Giradot contract.

In the Bogotá – Giradot contract, two companies from the Conconcreto Organization presented bids: Constructora Conconcreto and Industrial Conconcreto. Here, we are fully blinded, as I have mentioned in the communiqué that was issued in recent days, as a single proponent, and it is Conconcreto. We have the absolute guarantee that we have not participated in any process of collusion or in any process against the laws of competition, as has been mentioned in the media. At this time, we are awaiting the results of the Superintendency of Industry and Commerce (SIC), which is investigating the entire tender process, which includes five (5) proponents, one of them the originator. We have guarantee on Conconcreto's part; that is, if Conconcreto did not participate in any act to which the Superintendency refers, we see no risk for which there may be a nullity of the contract.

And the next question is about the percentage that is being carried out in the PACTIA equity participation, where we previously had a 50% participation; how will this be after the contribution by *Protección*?

In the First Quarter of 2017, we will apply the 51%, which is Conconcreto's current participation in the PACTIA Private Equity Real-Estate Fund. If there are changes in the participations, it has to be because *Protección* has increased its participation according to the commitment that it has to contribute COP 600,000 million; to date, only COP 156,000 million has been contributed. We expect that in 20176, or at least until the Third Quarter, there will be no more contributions by *Protección*, meaning that the figures will remain as they are today.

Juan Fernando Rojas from *El Colombiano* asks: “How will you seek to better shape Conconcreto's debt this year and meet the goal of bringing it to 3.6 times?”

Today, Conconcreto's debt has already met the commitment to surpass 3.6 times; I mentioned that we are at 3.89. In view of the current situation of the financial sector, Conconcreto made the decision in advance to reshape the debt. We are in negotiations with all our financial suppliers, the most important financial institutions in the country, to reshape the debt to five (5) years. We have advanced in almost 50% of the debt, nearly COP 400,000 million in the

reshaping, and we expect to end all these negotiations in the First Quarter of this year.

Juan Camilo Dauder of *CrediCorp* asks: *“Why was there a compression in the EBITDA margin, both in the annual as well as in the quarterly results? And explain a little better the items related to Profits and Losses, where there was a significant decrease.”*

Well, the measurements correspond to the fair value of the investment properties that were already in PACTIA in 2016, so the investments were modified. There was also an impact from the *Devimed* Concession that entered into the International Financial Reporting Standards (IFRS) and which had a small valuation of the value of the Concreto investment in the *Devimed* Concession. Basically, all the changes are reflected because our assets are accounted for at fair value. This requires that – in the case of those real-estate assets that are in Concreto – we have to have an appraisal and those assets that are in PACTIA are accounted for by our percentage of the value through the equity method. So, this has a lot to do with the change in the appraisals, both for the real-estate assets as well as in the case of the first-generation concessions that are financial assets and are also valued by a mechanism that shows an increase in value. And to explain a little better the items – I’m sorry – to explain the compression of the EBITDA margin, the EBITDA margin, if you remember, when we had the assets in the Concreto NIT, the EBITDA was EBITDAR because some of the assets had a debt through operational leasing, so we accounted for 100% of the income from the leases and this had a high impact in the Company’s EBITDA generation because they were pursuing the leases. In the transfer of the real-estate assets to PACTIA, all the financial leases – I’m sorry – all the operational leases passed from Concreto to the PACTIA Real-Estate Fund and the income from the leases also passed there. So, really, the leasing figure was very high and impacted the EBITDA a lot; now we are not perceiving the EBITDA from all the real-estate assets. If you look at the figure that I remind you, the figure on income from the PACTIA Fund, the figure of the net income was nearly COP 100,000 million. These revenues were largely related to assets that were in Concreto’s accounting because Grupo Argos contributed cash, contributed land and contributed some very valuable assets, some of which are under construction.

The next question is from Juan Fernando Rojas from *El Colombiano*: *“With the volume of construction contracts with which 2017 begins, similar to those executed in 2016, what is the growth target in operational income in 2017?”*

With low inflation, we have always set a double-digit growth target. Since we had inflation of close to 8% last year, the target is still double digit, but we expect to have real reasonable growth. In these companies it is difficult to grow with the generation of significant gross margins; the market is quite competitive, but we think it is Concreto's strategy, as we have shown in the last five (5) years, which will allow us to self-generate construction contracts and with the innovation and industrialization strategies, and efficiencies in construction processes, we will be able to preserve reasonable margins and have significant growth. This figure is one that is in process or is being approved at this time by the Company's governing bodies, and we have an important goal as an administration to achieve it, but we have done it in past years.

Clara Rangel from *CorpBanca* asks: *"Considering that arbitration failed against the Solarte Malla Vial del Cauca, and this covers the tranche from Buga to Lobo Guerrero, when will the road be received and how will this also affect Solarte's 67%?"*

Our contractual relationship is with ANI and ANI is committed to give us the corridor between Buga and Buenaventura. In the case of the Functional Unit 4, which was in execution or in construction by the *Malla Vial del Valle*, and with this ruling the construction activities were suspended, the ANI is in conversations at this time with the consortium or the current concession, which is *Vía Pacífico* to resolve the issue. We should receive the road fully constructed; at this time, the road is not constructed and, obviously, we will have to make some adjustments. There are three solutions: **(1)** the solution is that the ANI, through some mechanism, builds the road and gives it to us with a displacement in time; **(2)** we transfer to ourselves the responsibility of construction, or **(3)** there is an intermediary between both. This is an impact on this road, but at this time, we are operating and maintaining the road and ensuring that there are no closures on the road for all the effects that may occur in the displacement of the construction. Regarding Solarte's 67% participation, both Grupo Solarte as well as Concreto are affected in this case by the non-delivery of the completion of this work. What the *Malla Vial* does or the negotiations that the *Malla Vial* makes are totally independent of our participation in the consortium.

Finally, our last question is from Juan Fernando Rojas from *El Colombiano*: *"What's going on with the 3D printing project for construction?"*



This is perhaps one of the most relevant events of the Company in many years and I would say that it is the most important of the First Quarter of 2017. The 3D printer with pre-mixed concrete is now operating at the EIA University Conconcreto Innovation Center. We have printed or manufactured concrete elements with the 3D printer, which was totally designed by Constructora Conconcreto and its personnel. The prototype of the printer was built between Germany and Italy. The 3D printer is already assembled in Colombia and is, perhaps, the first 3D printer in Latin America that works with pre-mixed concrete. Conconcreto's objective is to help the penetration of this technology in the construction industry in Colombia and in the region; it aims to capitalize learning for the industrialization of construction equipment for building parts; the dream of the Innovation Area and Conconcreto's Management is to industrially and massively print social-interest housing with a 3D printer to be able to lower costs and make it affordable to a greater number of people in Colombia.

We received one last question, from Germán Zúñiga from *Bancolombia*: *“Although Empresas Públicas de Medellín (EPM) is the spokesperson for the Hidroituango project, is Conconcreto concerned about the participation that Camargo Correa has in this project because of recent news in South America?”*

The news about Camargo Correa is not new and as you have seen in the communication process that Camargo Correa had with the media in recent days, Camargo Correa has already all the process to submit itself to justice in Brazil. If you read the statements of ANI President, Dr. Luis Fernando Andrade, today, he states that the infrastructure and PPP business in Colombia should not be demonized due to the effect of two (2) contracts and explains in detail: In the Odebrecht contract, nullity is going to be declared because there is evidence that there was corruption in the contracting of this project; and in the *Navalena* Consortium, although Odebrecht is there, since there is no evidence of corruption in *Navalena*, the contract is valid and it continues to be active and the ANI is looking for ways to replace Odebrecht in the *Navalena* Consortium. If one extrapolates that Doctor Luis Fernando should have all his legal advisors and be fully supported by all state-control entities in Colombia, one would say: If Camargo Correa has not committed crimes in Colombia and no evidence exists and there is no evidence, because this is what Camargo Correa has ratified, Conconcreto has ratified it, and Conisa Ramonache has ratified that there was corruption and that we followed all the procedures in the tender of this contract, possible if evidence of other contracts is found against Camargo Correa, that it has only one in Colombia, it will be disqualified in other countries. But,

the worst that could happen to us and the contract – and the Colombian partners have evaluated it – is that if Camargo Correa is disqualified from participating in this contract – as was done to *Navalena*, Conconcreto and Conisa Ramonache have offered our client to seek a replacement for Camargo Correa with an equal partner, or an equal consortium or with better experience and qualities that Camargo Correa. We are totally reassured that there is no evidence that there was a lack of transparency in the tender process of this contract. This is a replica of some evidence that Camargo Correa already evidenced a few years ago and, obviously, we support the Colombian justice and all the control entities and especially our clients and the municipality of Medellín, as they want to have absolute clarity that in this tender process, there was no lack of transparency. We are also open and our books are open: This contract is very important for the country; it is important for the municipality of Medellín; it is important for EPM and for Conconcreto, it is the biggest contract in the Company's history and we expect to finish it successfully for our client.

With this question, we conclude our question-and-answer session. Once again, I give the floor to Doctor Juan Luis to conclude the conference presentation of the Constructora Conconcreto results.

I would like to end this presentation by inviting you to the Conconcreto Shareholder Assembly, which will be held on March 30, 2017, at 9:00 AM at the Medellín Museum of Modern Art (MAMM). The results for the year will be presented here with a few more details. And, finally, I want to ratify the commitment of the Company's shareholders, the Board of Directors and the Administration that we are preserving and complying with the highest ethical standards in everything related to public tenders, with compliance of Colombian laws and regulations, and with respect for all our clients, in the bidding processes and, above all, with the Organization's employees. Conconcreto has had a very clear and very strict Code of Ethics in the bidding process; this has not change at any time and we do not expect to change it in the future in the Company. Unfortunately, the sector has been pounded; this has generated a lot of uncertainty. There are many good companies in this country; there are many very good multinational companies, and we expect to overcome this impasse and these difficulties that have occurred with an international contractor. We are fully aligned with the National Infrastructure Agency (ANI), with the Ministry of Transport, with the national Government, with the Departmental and local Government entities in trying to ensure that in the construction sector, there are increasing principles of ethics and transparency so that all people can openly compete in the processes.

Thank you very much.