CONFERENCE CALL SCRIPT
CEMENTOS ARGOS SECOND QUARTER 2010 RESULTS

URIBE
Good morning, this is Tomás Uribe assistant to the CEO of Cementos Argos. Thank you for your interest in Argos and for your participation in this conference call today where we will be discussing the results of Cementos Argos for the first half of 2010. Joining me today are Mr. José Vélez, the Company’s CEO and Mr. Ricardo Sierra, CFO.

Mr. Vélez will review the main financial figures, contained in the report that was sent to you all yesterday, and he will also refer to recent company developments. I would like to mention that a slide presentation referring to these results is also available on the company’s website at www.argos.com.co, which we strongly recommend you follow during the call. To download the presentation; click on the Investors section, then Communications and finally to the presentations section, where you will find a Powerpoint file called Cementos Argos’ 1H10 results.

Thank you for your attention, at this time I would like to introduce our CEO, Mr. José Vélez.

VELEZ
Good morning everyone, thank you for being with us today.

I would like to begin mentioning that the situation in our markets has improved since our last conference call, and the Colombian market is starting to catch up in terms of infrastructure projects that were on hold. This, despite second quarter financial results that were below previously-forecasted levels, mainly due to the slow recovery in the US. However, we are pleased to mention that, within the Colombia Regional Division, Argos reached its goals in terms of EBITDA and EBITDA margin for the first half of the year.

We are aware that the inertia of the recent economic slowdown continues to affect our operations, however, we expect demand in Colombia and the Caribbean to continue responding in line with the projected growth in infrastructure.
It is worth mentioning that due to the 3-month delay of full operations in our new production line in Cartagena, as well as the slower-than-expected U.S. recovery, we will be presenting new guidance figures for year-end EBITDA levels later in this call.

We are very glad to announce that on last Monday, we produced our first clinker resulting from the new production line in Cartagena, ending a very positive 4-year-long project that we hope will improve our efficiency, financial results and lead Argos' industrial-technological reconversion.

Before moving on to the financial results and as we published recently, we are very pleased to announce that Cemento Panamá, a subsidiary of Cementos Argos, signed a contract with the “Grupo Unidos por el Canal” consortium to supply cement and cementitious materials for the Atlantic Side of the Panama Canal expansion. The contract value is approximately 65 million dollars and deliveries are expected to begin in December 2010, ending in the first quarter of 2014. It is worth noting that Argos’ new Cartagena production line will play a relevant role on this project; due to its capacity expansion of up to 3 million tons per year, and its strategic location, which is less than one day away from Panama by ship. This will allow it to serve as a backup supplier, if required, during the Canal expansion. With opportunities such as these, Cementos Argos is poised to maintain its market leadership position in the region, by providing the best quality products and service.

It is also important to mention that in April, Cementos Argos successfully produced and sold its first metric ton of oil well cement, derived from our fully-integrated cement plant in San Gil, Santander, in Colombia. Even though our oil well cement business is still minor when compared to our grey cement or ready mix sales products, it is however a business with interesting potential in a growing market, particularly when considering the increasing oil production perspectives in our country. In 2010, we expect to sell around 15 to 20 thousand tons of this type of cement. Production of oil well cement is evidence of the success of our new corporate structure, where there is a Business Development Area devoted solely to the exploration and development of innovative products that strategically contribute to our organic growth.

Let’s move to the financial results for the first half of 2010.
As you can see in slide number 5, although our consolidated figures for the second quarter were below our expectations, it is important to point out the notable improvement of our main financials versus the previous quarter.

For first half of 2010 revenues came to 1.5 billion pesos or 757 million dollars, showing a decrease of 18.5% in pesos or 2.6% in dollars when compared to the first six months of 2009. On a quarterly basis, second quarter revenues registered 774 thousand million pesos or 397 million dollars, decreasing 9.2% in pesos or increasing 4% in dollars compared to the same quarter of 2010. When comparing versus the previous quarter, revenues increased by 10%.

In terms of operating costs and profit, it is evident how our strict cost and expense reduction program continue to maintain our margins. In this same slide, you can appreciate how operating profit for the first half of 2010 reached 117 thousand million pesos or 60 million dollars, highlighting how the figure for the second quarter of 2010, was 71% higher in pesos or 69% in dollars than the one reported during the first quarter of this same year, although declining on 2009 second quarter.

Cementos Argos’ consolidated EBITDA for the second half of 2010 amounted to 275 thousand million pesos or 141 million dollars, a decline of 17.5% in pesos or 1.6% in dollars when compared to the first half of the previous year. However, we should mention that even though the absolute figures declined compared to 2009, the EBITDA margin remained stable, and was 30 basis points higher than the one reported during the first half of 2009. On a quarterly basis, second quarter consolidated EBITDA reached 153 thousand million pesos or 78 million dollars, declining 13% in pesos or 1% in dollars on second quarter 2009, but 25% higher than the one reported during the first quarter of this same year.

In reference to the non-operational result, net profit for the first half of 2010 amounted to 264 thousand million pesos. As we stated in the previous conference call, this figure should not be compared to the one reported for the same half of 2009, given the non-recurring profit of around 357 thousand million pesos from the sale of our coal export mines to VALE in 2009.
In slide 6, you can see that during the last six months, consolidated assets increased by 1% to 14.8 billion pesos (or 7.7 billion dollars), liabilities decreased by 8% to 4.5 billion pesos (or 2.3 billion dollars) and shareholders’ equity increased 5.3% to 10.3 billion pesos (or 5.3 billion dollars).

Let’s now review the results for the Regional Divisions where we operate:

Concerning our Colombia Regional Division, as you can see in slide number 8, revenues from operations in Colombia declined by 10% in the first half of 2010 to 734 thousand million pesos. The decrease was mainly due to the absence of the coal export assets revenues, as this division was sold last year.

As mentioned in our last conference call, Argos’ Colombia Regional Division now includes the coal business, and bearing in mind that revenues obtained from our divested coal-mining assets -El Hatillo and Cerro Largo- came to 98 thousand million for the first half of 2009, this would provide a comparable revenue figure of 722 thousand million for this half. So, upon comparing this figure with the revenues obtained in the first half of 2010, we would have obtained an increase of 2%.

The EBITDA for this Regional Division registered 231 thousand million pesos, 8% lower than the one achieved during the same period in 2009. Although we had forecast a decrease of 13% in EBITDA for the first half of 2010, we managed to have a lower decrease than expected. The EBITDA margin rose to 31.4%, increasing 80 basis points on compared to the first half of 2009.

As you can see in the next slide, in the case of Argos within the Colombian Regional Division, cement sales increased by 1.5% on this first half to almost 2 million tons, while for the same period, ready mix sales increased by 37% to 821 thousand cubic meters. You can notice how things are starting to improve in Colombia, principally for cement demand, where an outstanding increase of 7% in the second quarter completely offset the decreasing tons of the first one and showed a positive half-on-half variation.
At this point it is important to emphasize that for the first half of 2010 Cementos Argos was awarded around 3.8 million cubic meters in ready mix contracts to be dispatched within the next 24 to 36 months. From this ready mix volumes awarded, I would like to highlight some major projects where Argos will be providing its ready-mix concrete.

As you can see in slide 10, Argos’ geographic coverage and highest-standards service and quality proposal, have made possible to be selected to be part of the following projects, among many others: i) “La Línea Tunnel” an 8.6 kilometer tunnel which strategically connects the cities of Bogotá and Buenaventura across the central mountain range; ii) “Cartagena Refinery expansion”, which according to Ecopetrol includes the modernization and expansion of this important refinery in order to increase refining capacity from 75 thousand to 140 thousand barrels per day; iii) “Hidrosogamoso” an 820 megawatt hydroelectric energy-generating facility, developed by Isagen; and iv) “Porce III” a 660 megawatts hydroelectric energy-generating facility developed by Empresas Públicas de Medellín.

Just these projects alone involve a projected demand of approximately 1 million cubic meters of ready mix and also require the set-up of in-place mobile ready mix plants.

As published recently by the Colombian Government there are around 30 billion pesos from the national budget committed for the next 15 years devoted for infrastructure developments, being most of them roads that are planned to be built in ready mix concrete.

In terms of housing demand, according to the National Bureau of Statistics (DANE), so far this year to April, the area approved for constructions increased by 14.3% over the same period of 2009. Of this area, 72% was approved for housing projects and 28% for other types of construction.

In conclusion, the facts mentioned above as well as the low interest rates and CPI levels and the political and financial stability give us a positive outlook for the Colombian market for the coming years.
Moving on to the next slide, you will see the results for the United States Regional Division.

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As you can see in slide 12, revenues from our United States operations for the first half of 2010 totaled 198 million dollars, decreasing 18% when compared to this same period in 2009. EBITDA for this Regional registered 2 million dollars during the first half of 2010.

Although the results of operations in the United States for the second quarter leave room for improvement, we note that the second quarter registered positive EBITDA figures, thus offsetting the negative EBITDA during the first quarter of 2010. The revenues and EBITDA for the second quarter of this year amounted to 109 and 3 million dollars respectively, declining by 12% and 76% when compared to this same quarter of 2009.

As discussed at the beginning of this conference, we want to emphasize on the slower-than-expected recovery. As stated by the American Institute of Architects recently, poor conditions in the market have been caused by the excess capacity, weak demand for space, and decline in commercial property among other facts. As a result of this last mentioned, the general post-crisis nervousness and volatility in the U.S., have made the pricing situation extremely difficult.

Although we have been accomplishing our goals in terms of volumes in the US, prices per cubic yard have declined significantly over the last months, lowering revenue and EBITDA figures below our expectations. In this same slide you can appreciate the behavior of the ready-mix demand for the last two quarters of this year highlighting the remarkable second quarter which showed an increase of 8% versus the second quarter of 2009.

In terms of sector perspectives, although some analysts have reduced their 2010 outlook for residential construction because of a delayed recovery in single and multi-family starts, as you can see in slide number 13, PCA’s 2010 summer forecast shows very positive figures for cement
consumption growth for the midterm in the states where Argos has operations.

Furthermore, if we analyze the 79 billion dollars from the American Recovery and Reinvestment Act – ARRA – dedicated to infrastructure projects, only 22% of the 25 billion dollars and 26 billion dollars to be spent in 2010 and 2011 respectively were disbursed as of last March, leaving around 80% of these funds to be spent in the next one and a half years, supporting cement volumes for 2010 and 2011.

In addition to stimulus plan, cement consumption market in the U.S. could benefit from the new highway bill to be implemented soon. For the period of 2010 through 2014, the U.S. Congress is expected to allocate 259 billion dollars for this highway expansion and maintenance plan.

These gives us some interesting perspectives for the coming years, hoping that with this upward demand trend, the pricing situation bounces back to a more rational scenario.

Moving on to the next slide, you will see the results for the Caribbean Regional Division.

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During the first half of 2010, the Caribbean region was not immune to this slower-than-expected recovery trend. Total revenues for the Caribbean region accounted 146 million dollars for the first half of 2010, a 7% decrease comparing with the same period last year.

In terms of EBITDA, the region totaled 30 million dollars, decreasing by 9% versus the 2009 figure. As occurred in the Colombian regional division, we managed to maintain EBITDA margin levels, registering 20.5% EBITDA, versus 20.8% of 2009.

When we look at the economic growth perspectives throughout our major locations in the Caribbean, please refer to slide number 17, the outlook for the coming years is expected to be positive.
Besides the Panama Canal expansion contract that we expect will start benefiting our financials in the first quarter of 2011, there are a significant number of infrastructure projects to be undertaken in the coming years in this country. As published by the Panama Economy Insight, public and private investment for the period 2010 to 2014 will be approximately $47 billion dollars, twice what it was during the last four years, thus offsetting the expected drop in luxury residential construction.

The Dominican Republic is expected to also be engaging in some major infrastructure projects, particularly with the 500 million dollar investment in the VIADOM, a major toll road connecting Santo Domingo to the eastern region of the Dominican Republic.

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In terms of our other businesses performance, it is worth mentioning that due to the positive economic environment in Colombia and the excellent development of our real estate assets, especially those in Barranquilla, we had during the first half of the year, sales of some of these assets that led to generate an EBITDA of 17 thousand million pesos.

During the last ten years, Argos has been acting as an horizontal developer for some of its real estate assets, mainly those in Barranquilla, with remarkable results and taking full advantage of this city’s notable growth. This process makes part of the process of divesting, even though at a slow pace, but wisely our non-core assets.

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Please move on to slide number 19 to focus on our debt profile. On a consolidated basis, debt coverage is in adequate levels as can be noticed in the following ratios: net indebtedness to EBITDA of 3.79; last twelve months EBITDA to financial expense of 2.81 and indebtedness to equity of 24.5%.

The average cost of the company’s dollar-denominated debt registered 1.9% at the end of June 2010. On a 12-month basis, this debt cost has dropped 80 basis points. Moreover, the average cost of debt in pesos
came to 6.2% in July 2010, decreasing from 7.62% in December and from 10.6% in March of 2009.

In terms of cash flow as you can see in slide number 20, year-to-date to June 2010, Cementos Argos has reduced its cash level by 87 million dollars, ending at 229 million dollars. This decrease is mainly due to CAPEX and debt amortization.

It is important to mention how our capital structure optimization has been showing its results in this year. During the first half of 2010, our net financial expense has decreased by 26% when compared to the same period of 2009.

**Portfolio of Non-Cement investments:**

As you can see in slide number 22, as of June 30th 2010, Cementos Argos’ portfolio of non-cement investments came to more than 5.2 billion pesos.

During the second quarter of 2010 and in line with the strategic guidelines of concentrating investment portfolio to the level of its holding company, Inversiones Argos, and focus on the cement business, Cementos Argos sold to its parent company around 8 million shares of Grupo de Inversiones Suramericana, corresponding to a 1.76% stake in this company. This transaction generated a non-operating profit of around COP 229 thousand million. The resources generated by this operation will be used in optimizing the capital structure of the company.

**New Guidance 2010:**

Finally, as we said at the beginning of this call, circumstances such as the delay of the full operation of our Cartagena plant expansion, the late kick off of infrastructure projects in Colombia and the slower-than-expected recovery and negative pricing situation in the United States have caused us to reevaluate our guidance for 2010.

And while we acknowledge that this rest of year will still be very challenging, we are confident that by continuing to adhere to a program of rigorous cost management, maintaining our promise of service and quality and maximizing
cash flow generation, will make it possible for Argos to achieve the following results.

We are estimating revenues in line with those obtained in 2009. EBITDA is estimated between 330 and 350 million dollars. Around 70% would come from the operations in Colombia, 20% from the Caribbean, 5% from the US and the rest from other businesses.

Thank you all for your attention, at this time, I would like to move on to the Q&A session. Operator may begin please.

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