



2012 Annual Report



GRUPO ARGOS

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About this Report

With this report and in line with its sustainability strategy, the Grupo Argos starts its migration to a report that integrates the records of each year's results with a material analysis of the economic, social and environmental dimensions of the businesses in which the company participates. An integrated report additionally reveals general business information in a transparent manner, highlighting the main risks and the risk mitigation plans. The Grupo Argos highlights fundamental principles of sustainable development, taking a step forward to position itself as a responsible organization.

This report provides an overview of the Grupo Argos, as the Parent Company of Grupo Empresarial Argos, and outlines the main operational indicators. 2012 Results are highlighted in the annual performance report submitted by the Board of Directors to the President of the Company. In line with the values of the Organization, the practices adopted to ensure transparency in corporate governance, as well as the strategy, the risk policy and the principles of sustainability are summarized in this report.

In separate chapters, this report contains general information about Argos, the cement business; Celsia, Energy; Compas, Ports; Sator, Coal, and Situm, real estate.

To access the digital version of this report and previous reports, please go to www.grupoargos.com and follow the path: Información Financiera / Reportes, or scan this code:



Consolidated income in 2012
exceeded

6.7 trillion pesos
a

15%

increase, compared to 2011



GRUPO ARGOS

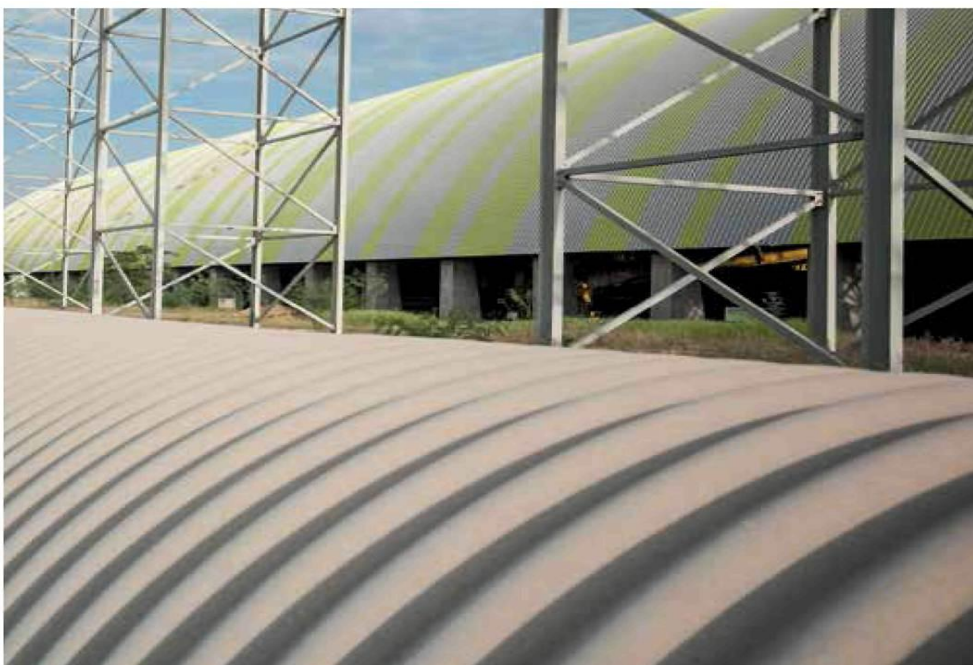


GRUPO ARGOS

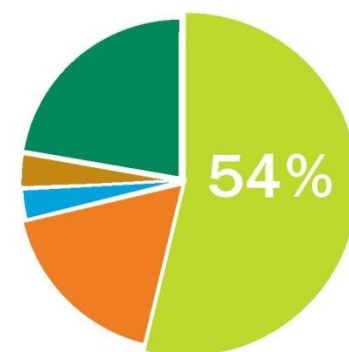
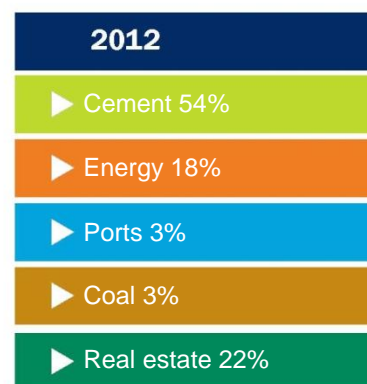
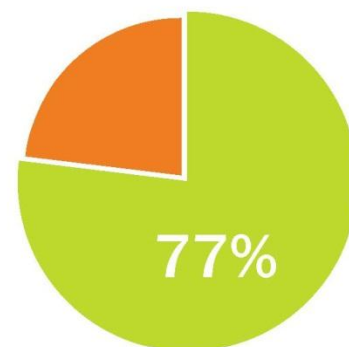
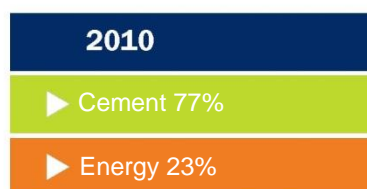
The Grupo Argos was born in 1934 with the foundation of Compañía de Cemento Argos S. A., a *portland* cement producer. In 1998, it stopped producing cement, shut down its industrial activities in Medellín, and started to work exclusively as a holding and investment company.

In 2005, the company changed its corporate name to Inversiones Argos S.A. and merged all its cement producing companies in Colombia under the name Cementos Argos S.A. In 2008, to diversify its portfolio beyond the cement market, it made major investments in the energy sector.

In 2012, it undertook a spin-off of non-cement assets of Cementos Argos and changed its name to Grupo Argos.



* Charts include strategic investments only. The value of each investment is calculated based on the market capitalization for listed companies and under the general terms of the spin-off for other assets.





Currently, the Grupo Argos maintains investments in the infrastructure sector in several countries of the American continent, with active participation in cement, energy, ports, coal and real estate businesses. It is the controlling shareholder of Cementos Argos S.A., Celsia S.A. E. S. P., Sator S.A.S. and Situm S.A.S. In addition, it owns 50% of Compas S.A.

The Grupo Argos represents an investment opportunity, in which the creation of value is materialized through the targeting of investments in their respective business units, innovation in products and processes and diversification of the risks inherent in each industry. This, framed within the imprint that it has on all the companies in which it invests, where the commitment to sustainable economic, environmental and social practices, the application of the highest corporate governance standards and the attraction, development and retention of the best human talent are consistent and evident in each of the companies.

The *holding company* offers the opportunity to participate in the growth and profitability of high-potential and dynamic businesses such as Ports and Real Estate businesses, which are not listed in the stock market and, in addition, the diversification in various industry sectors, together with the compensation and security afforded by the cement and energy businesses.

The Grupo Argos, with its affiliates, provides more than 9,700 direct jobs, distributed as follows:

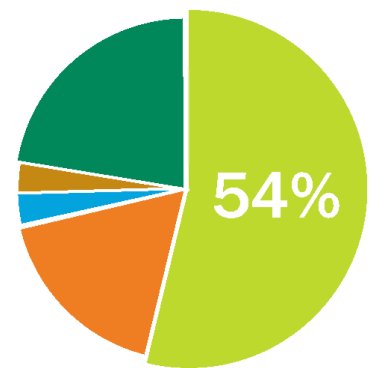
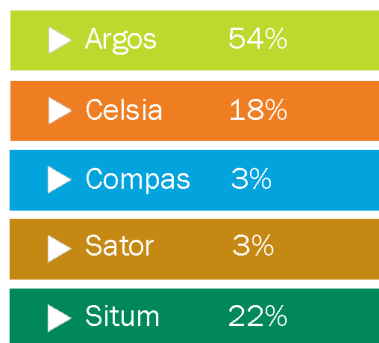
Company	Employees
Grupo Argos	49
Argos	7.537
Celsia	1.024
Compas	321
Sator	805
Situm	38
Total	9.774



The value of each strategic investment is calculated based on the market capitalization for listed companies and under the general terms of the spin-off for other assets.

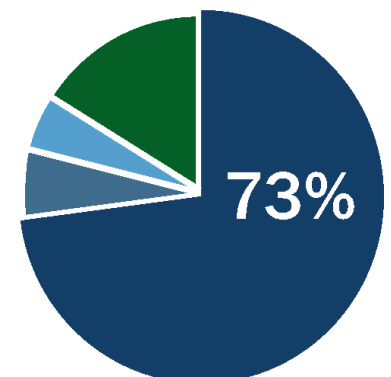
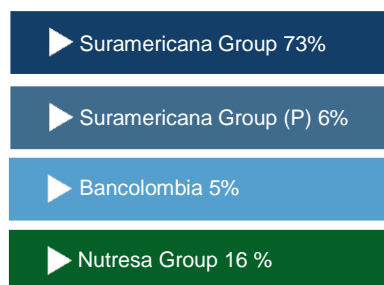
Strategic investments

At the 2012 year-end, the strategic investments of the Grupo Argos were distributed as follows: 54% in the cement business, 18% in energy, 22% in real estate, 3% in coal and 3% in ports.



Portfolio investments

The Grupo Argos has portfolio investments in the financial sector, through the Sura Group and Bancolombia, and in the food sector through the Nutresa Group. As at December 31, 2012, it reached 7.1 trillion pesos.



Board of Directors

Jorge Esteban Giraldo Arango

Independent member and
Chairman of the Board of Directors
Grupo Bimbo
Chief Executive Officer for Latin America
Center

David Bojanini García

Grupo Sura S. A.
President

Carlos Enrique Piedrahíta Arocha

Grupo Nutresa S.A.
President

Mario Scarpetta Gnecco

Independent member
Businessman

Rosario Córdoba Garcés

Independent member
Private Competitiveness Council
President

Guillermo Heins Finkensteadt

Independent member
Heins und Möller Ltda.
President

Ana Cristina Arango Uribe

Independent member
Investor

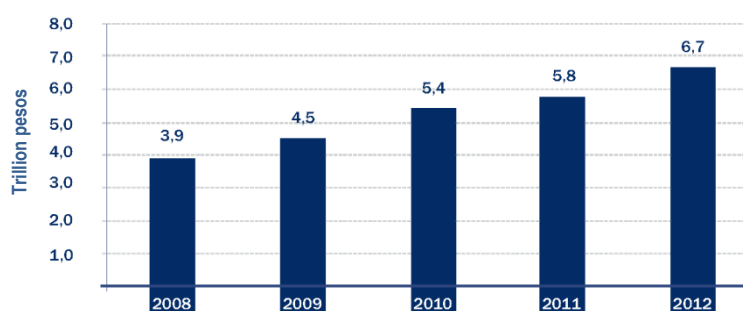




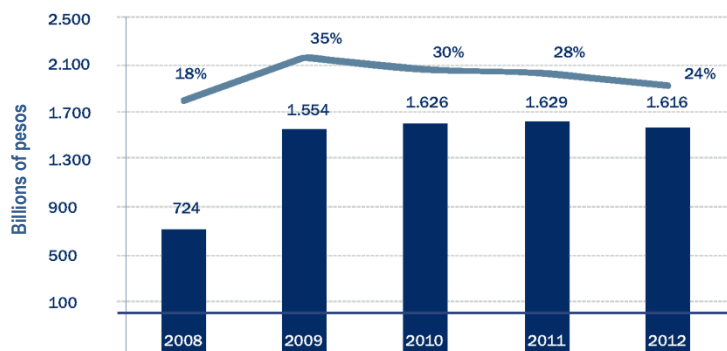
From left to right. Standing: Jorge Esteban Giraldo, Rosario Córdoba and Guillermo Heins.
Seated: David Bojanini, Carlos Enrique Piedrahíta, Mario Scarpetta and Ana Cristina Arango

Consolidated Indicators

Income



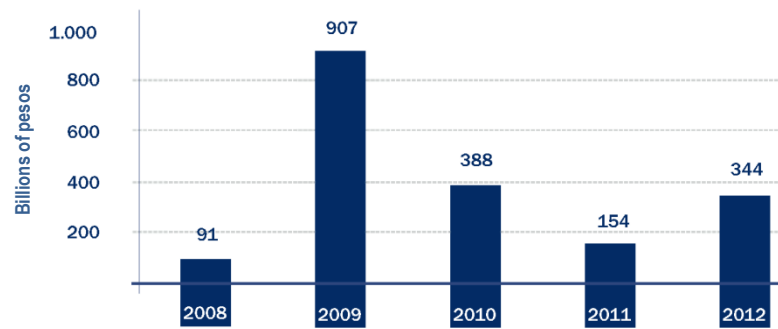
Ebitda and Ebitda margin



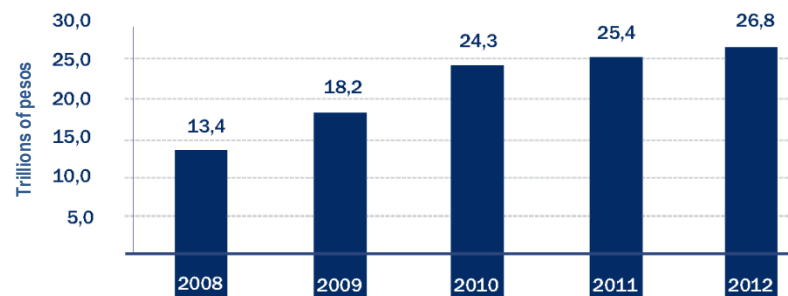
► Ebitda margin

► Ebitda

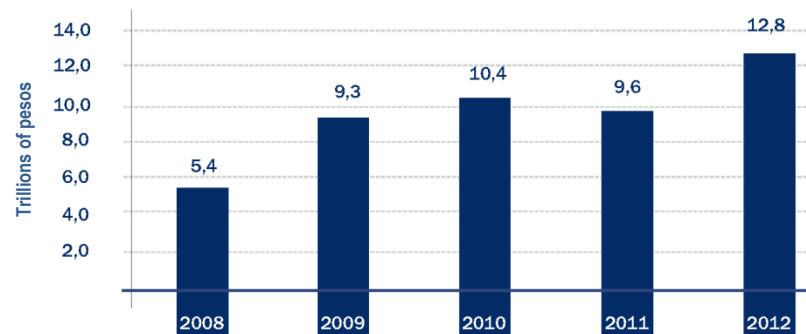
Net income



Assets



Net worth



Message from the President

Dear Shareholders:

This annual report presents the performance of the company during 2012, along with an overview of the Organization as the Parent Company of Grupo Empresarial Argos. For a better understanding of the activities of the company and seeking more transparency in all actions, this report contains the results of 2012 with the most relevant business issues and practices adopted in the year to improve the corporate governance, as well as the policy implemented to identify the main risks.

We highlight in general the results obtained in 2012 by Argos, the cement business; Celsia, energy; Compas, Ports; Sator, coal and Situm, real estate.

After the consolidation, the Grupo Argos, following the absorption of non-cement assets of Argos, from the spin-off completed in May 2012, we envisioned significant growth opportunities for the organization in various basic sectors for development, all of them aligned with important infrastructure investment expectations.

The Grupo Argos is a holding company engaged in businesses that add value, where there are clear synergies between the subsidiaries and clear competitive advantages. If during the 20th century, in times of protectionism and import substitution, we had to support businesses in the internal, regional and national markets, the twenty-first century of globalization and free trade agreements, is where we should make full use of the competitive advantages of this new environment, with a non-capricious, organic and strategically designed diversification, a path through which we will continue moving forward in the coming years.

This report is another fine example of the commitment of the Grupo Argos to the highest standards of corporate governance worldwide, to give investors, in a transparent manner, the information needed to evaluate the performance of the company and the businesses in which it participates. It is important to note that the company promotes the constant development of the best human talent, as the most important resource of the business organization, as well as the sustainability of all businesses.



During 2012, we remained committed to the Global Compact Principles, and participated in the Global Compact Regional Center for Latin America and the Caribbean, where initiatives are designed and implemented to strengthen good practices.

We are confident that this information will be useful for you and will encourage you to be part of the growth and development of our Organization.

A handwritten signature in black ink, reading "José A. Vélez".

Cordially,
JOSÉ ALBERTO VÉLEZ
President

Performance Report

The year 2012 was of great activity for Grupo Argos. In addition to having closed the period in a satisfactory manner, with increased operational figures in the businesses in which it invests, the spin-off by absorption project approved by the shareholders of Argos and Grupo Argos was completed in May to move towards the creation of an important infrastructure matrix.

After completing this process, where port, coal and real estate assets were absorbed, as well as 14.7% participation in Grupo Sura, 2% in Bancolombia and 5.4% in Grupo Nutresa, which were in the balance sheet of Argos, Grupo Argos became a *holding company* that participates actively in the definition and development of the strategy for companies with consolidated businesses, such as cement and energy, as well as in the structuring of high growth potential businesses, as it did with ports and currently does with real estate and coal businesses.



In order to ensure the fulfillment of these objectives, Grupo Argos created the Vice-presidency of Corporate Affairs, led by Camilo Abello; the Vice-presidency of Corporate Finance, led by Ricardo Sierra; and the Vice-presidency of Administrative Services, led by Sergio Osorio; all of them with extensive experience and track record in the organization.



Standing: José Alberto Vélez, Chief Executive Officer of Grupo Argos. Seated, from left to right: Sergio Osorio, Chief of Administrative Services; Ricardo Sierra, Chief Financial Officer, and Camilo Abello, Chief Legal Counselor.

Additionally, it is important to note that these businesses are managed by a team of specialists, with solid experience and track record. In May 2012, Jorge Mario Velásquez was appointed by the Board of Directors of Argos as Chief Executive Officer of this organization. Juan Guillermo Londoño continued in the Presidency of Celsia. Compas, the Port Company, has been led by Alberto Jiménez since December 2012, when the Port assets of the Grupo Argos were merged with Muelles el Bosque. Eduardo Bettin was appointed as Chief Executive Officer of Sator, the coal business; and Juan David Uribe was appointed as Chief Executive Officer of Situm, the real estate business.



Courtesy of Revista Dinero

From left to right: Alberto Jiménez, Chief Executive Officer of Compas; Eduardo Bettin, Chief Executive Officer of Sator; Juan David Uribe, Chief Executive Officer of Situm; Jose Alberto Velez, Chief Executive Officer of Grupo Argos; Juan Guillermo Londoño, Chief Executive Officer of Celsia and Jorge Mario Velasquez, Chief Executive Officer of Argos.

As part of the role of the company and in order to continue with the plan for optimizing and strengthening the capital structure needed for the consolidation of its businesses, Grupo Argos conducted two important capital procurement activities in 2012. First, in September it issued commercial papers worth 200 billion pesos with a maturity period of one year. The demand for these commercial papers topped 360,000 million pesos, equivalent to 1.8 times the supply, at 5.95 percent effective annual rate.

In addition, in November, 750 billion pesos were placed in the market through an issue of Boceas (bonds obligatorily convertible into preferred stock). During the auction process, the demand exceeded 759.000 billion pesos, which is equivalent to 1.52 times the initial amount offered of 500 billion pesos; therefore, it was decided to place an additional 250 billion pesos.

The company's asset and financial position improved as a result of this operation, providing more flexibility to undertake investment opportunities arising in the new businesses, diversifying sources of financing and, in the future, increasing the preferred stock floating rate, which is expected to result in an improvement of the liquidity conditions of the company.

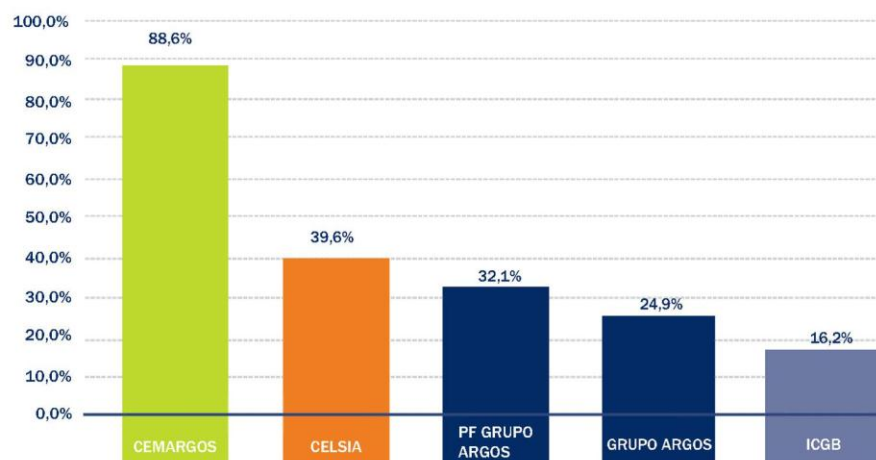
It is also important to highlight that in an effort to strengthen the corporate governance of the Organization, the Board of Directors of Grupo Argos approved a comprehensive amendment to the Code of Good Governance and appointed Jorge Esteban Giraldo, one of the independent members, as Chairman of the Board. The new code adheres to the same guiding principles of integrity, respect and transparency, and provides a set of rules that guide the actions of the company and its employees.

Similarly, during the year, the Organization continued establishing itself as an important infrastructure holding listed on the Stock Exchange of Colombia (BVC), with majority stakes in the cement, energy, real estate, ports and coal mining businesses.

The investment portfolio of the Grupo Argos closed 2012 with nearly 7.1 trillion pesos, of which Sura Group stocks account for the largest share of investments.

Finally, it is important to highlight the positive results seen in the company's share performance. In the past five years, Grupo Argos share has risen 74 percent, nearly doubling that of the IGBC (General index of the stock exchange of Colombia) in the same period, positioning itself as the fourth most important issuer of the Colombian stock market, whose average daily volume on the exchange exceeds 9,000 billion pesos. As at 31 December, the Grupo Argos common stock closed at 21,000 pesos; the preferred stock, which is traded on the stock market since June 2012, closed at 21.320 pesos, an increase from 25% to 32%, respectively, during 2012.

Appreciation of Grupo Argos and Subsidiaries shares in 2012



Financial results

Grupo Argos consolidated income in 2012 was about 6.7 trillion pesos, which represents a growth of 15% compared with the figure recorded in 2011. The consolidated Ebitda reached 1.6 trillion pesos, in line with that recorded in 2011, and with a margin of 24%. Net income closed at 343.938 million pesos.

On a consolidated basis, assets amounted to 26.8 trillion pesos, a 6% increase compared to the 2011 year-end close. For this same period, liabilities increased by 1% for a total 9.1 trillion pesos. Net equity increased by 34% and reached 12.8 trillion pesos.

On an individual basis, operating income was 602.326 million pesos, Ebitda of 436.476 million pesos and a net income of 343.938 million pesos.

Individual assets amounted to 16.1 trillion pesos, a 34% increase compared to the 2011 year-end close. For this same period, liabilities increased by 54% for a total 2.1 trillion pesos. Net equity increased by 32% and reached 14.1 trillion pesos. It is important to note that the changes observed in the individual balance sheet were caused largely by absorption of Argos non-cement assets in May 2012, the issuance of Boceas (bonds obligatorily convertible into preferred stock) and the appreciation of the shares of Argos and Celsia.

Business performance

Grupo Argos businesses strategies are guided by the incorporation of sustainability into operations, projects, production processes and day-to-day activities.

The main achievements of the businesses in which the company invests are described below:

Cement

Argos recorded excellent operating results this year and reached, once again, historical volumes sales of ready mix and cement products. Other achievements include the spin-off of non-cement assets, which transformed the company into a pure player in the cement, ready-mix and aggregate industry, and the issuance of bonds in the first half-year, in the Colombian market, worth one trillion pesos, where the demand was 2.7 times the amount offered to the investors.

The Colombia Region announced a 900,000-ton expansion project in the central area of the country, thus increasing the installed cement capacity by 9% in the plants of Rioclaro, Nare and Cairo. In addition, the market continues to show positive growth trend with major projects of infrastructure, housing and commercial buildings that continue driving the sector's development.



In the Caribbean Region operation, ready-mix production capacity was strengthened with the purchase of basalt and pozzolan reserves in Panama and Dominican Republic and began ready-mix operations in Dominican Republic and Suriname.

The most relevant fact In the U.S. Region was the operation, for first full year, of the cement and ready-mix assets adquired from Lafarge in late 2011. The two areas where Argos has a presence in that country reported improvement in volumes sold and higher prices.

As for the 2012 consolidated financial figures, Argos sold 10.8 million tons of cement and 8.5 million cubic meters of ready-mix, which is equivalent to a growth of 6% and 9% units, respectively.

The company posted a consolidated income of 4.4 trillion pesos, a growth of 19%. The 2012 consolidated Ebitda was 791.190 million pesos, the highest in the history of the company, representing a margin of 18% and an increase of 16% compared to 2011; These differences are not proforma, as they include the total of the results obtained, taking into account only the cement and ready-mix business, growths were 23% in income and 25% in Ebitda. Net income reached 387.619 million pesos, an increase of 5%.

Consolidated assets closed the year at 10.3 trillion pesos, a decrease of 39% compared to December 2011, as a result of the spin-off by absorption process completed in mid-2012. During this same period, liabilities fell by 12%, for a total of 4.5 trillion pesos. Net equity stood at 5.7 million pesos.



Energy

The Celsia brand name was born in 2012 with the premise of finding a name that would reflect the results obtained with the strategic and operational transformation that took place in the organization in recent years.

The expansion plan continued through the year. Of note is the signing of a purchase agreement to acquire the shares of the company that owns the Provenir II hydroelectric project, which was awarded Firm Energy Obligations in the auction of group of plants with longer-range planning period (GPPS) carried out by the Regulatory Commission of Energy and Gas (CREG).

EPSA put the Alto Tulua Central Station into operation in May, with an installed capacity of 19.9 MW and was certified by the UN as a Clean Development Mechanism, CDM. However, the station was affected by public order disturbances in August, particularly with regard to attacks on the energy infrastructure, causing a temporary shutdown of the power plant. This situation also affected the Bajo Tulua Project (19.9 MW), causing a delay in its start-up of operations.



In June, Celsia put the Hidromontanitas power plant into operation, in Antioquia, with a power generating capacity of 19.9-MW. The company invested 127,000 million pesos in this power plant.

The energy produced by the business in 2012 was about 5,038 GWh, accounting for 8.4% of the total demand of the Colombian market. The installed capacity reached 1.777 MW. Hydroelectric power plants account for 56% and thermal power plants account for 44% of the installed capacity.

Aware of the importance of trade relations for income stability, in 2012 Celsia committed a consolidated amount of 4,476 GWh in long-term contracts for 2014 and 2015. These contracts, for the sale of 2,993 GWh in 2014 and 1483 GWh in 2015, were signed with domestic power distributors and traders.

As for the energy business figures, during 2012 total income reached 2.0 trillion pesos, showing an increase of 9% compared to a year earlier; the generation business accounts for 60% and the distribution and the trading business accounts for 40% of total revenues.

Operating income reached 592.488 million pesos, with a margin of 29%, while Ebitda was 731.174 million, 2% higher than that of 2011, with a 36% margin. This variation, although moderate compared with previous years, represents a growth rate higher than expected, considering the hydrology levels, and a consistent margin with the mix of technologies available in the energy business.

Net income reached 230.760 billion pesos, compared to 152.891 million pesos in 2011. It is important to note that the 2011 figure included the profits from the sale of industrial safety assets for 41,839 million pesos. Excluding the sale of non-operating assets in 2011, the increase in net income for the period was 108%.

Ports

Compas was born in December of 2012 from the merger of Muelles el Bosque with port assets of the Grupo Argos, to timely respond to the port infrastructure requirements and adequately keep up with the growth of the Colombian economy. To position itself in the market, the company defined its image and established an organizational structure with roles and responsibilities.

One of the first steps taken to improve Compas was the partnership with Abonos Colombianos (Abocol) and the Chilean SAAM for the commercial exploitation of the Buenavista Port, as well as the development of a large-scale integrated logistics center, both located in Mamonal, Cartagena. Also, an agreement was signed with *Interamerican Coal* and Ictsi for the operation of the Aguadulce Port in Buenaventura.

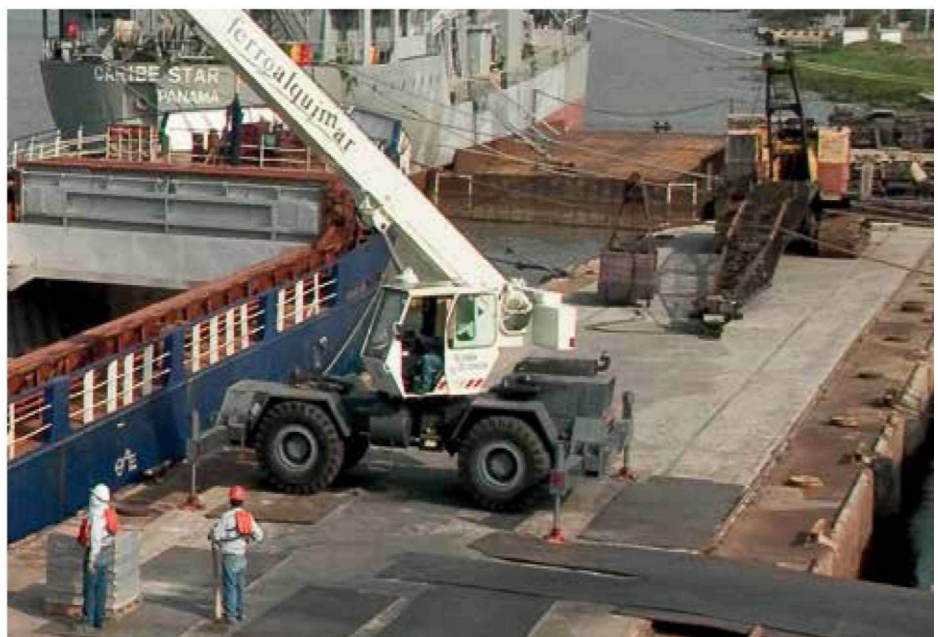
As for the 2012 financial results, about 4.2 million tons were moved through Compas in Buenaventura, Barranquilla, Cartagena and Tolu terminals,



that included the handling of around 113.000 containers through the port of Cartagena. This cargo arrived in around 670 motorboats, which accounted for about 9% of the total cargo handled by public ports in Colombia.

Import cargo accounts for about 63% of the total cargo volume, including about 1.4 million tons of bulk food commodities. Nearly 900,000 tons of in-transit cargo were handled, which is equivalent to 21% of the total cargo. As for exports, around 650,000 tons were moved, equivalent to 16%, particularly coal, with about 400,000 tons, mainly handled through the Port of Barranquilla.

Consolidated income of the business for 2012 was 103.329 million pesos. Ebitda for the year was nearly 22,189 million pesos. It is important to note that the 2012 Ebitda was significantly affected by expenses arising out of the merger between Muelles el Bosque and Grupo Argos port assets, which gave birth to Compas, as well as by a leasing of infrastructure worth 6,469 million pesos. The Company's net income for the first year was about 3,663 million pesos.



Coal

After the spin-off process, and thanks to the destination of the coal assets of Grupo Argos in Sator, the business went from being a cost center to a stand-alone company, in the search for profitable business alternatives from the hidden assets of the Organization, leaving in Argos the mining titles required for the exclusive exploitation of its cement plants.

The company initiated a strategy exercise to identify new business opportunities. The coal resources assessed during the spin-off process are estimated at 873 million tons of resources and 156 million tons of reserves.

Based on the individual analysis of each of the mines received, we conducted a study, from the financial, administrative, operational, legal and environmental perspective to determine the profitability and the focus of activity of the company. As part of this process, exploration activities were carried out to get reliable information using the JORC methodology (Australasian Joint Ore Reserves Committee) for the estimation of resources and reserves.

In terms of financial results, income reached 69,237 million pesos in 2012, decreasing by 13% compared to a year earlier, due to operating difficulties. This, combined with other factors, generated a negative Ebitda of 11,858 million pesos and a net loss of 38,954 million pesos in the fiscal period.

This result is explained mainly by the following factors:

- Advance provision of \$ 18,950 million pesos for closure and abandonment of mines, using the IFRS (*International Finance Report Standard*) methodology
- Non capital expenses for mining exploration projects worth 3,042 million pesos.
- \$ 1,509 million pesos in storage costs.
- Provision of 1,142 million pesos for obsolete inventory



Real estate

Situm consists of real estate assets from the spin-off by absorption process completed in May 2012. During the year, as part of the structuring the business strategy, the members of the real estate Committee made business travels to Brazil, United States and Mexico.

Based on this experience, the Board of Directors of Grupo Argos approved the Situm strategy and the structure of the company. This is continuing with the traditional urban planning business and start venturing into the property rent model.

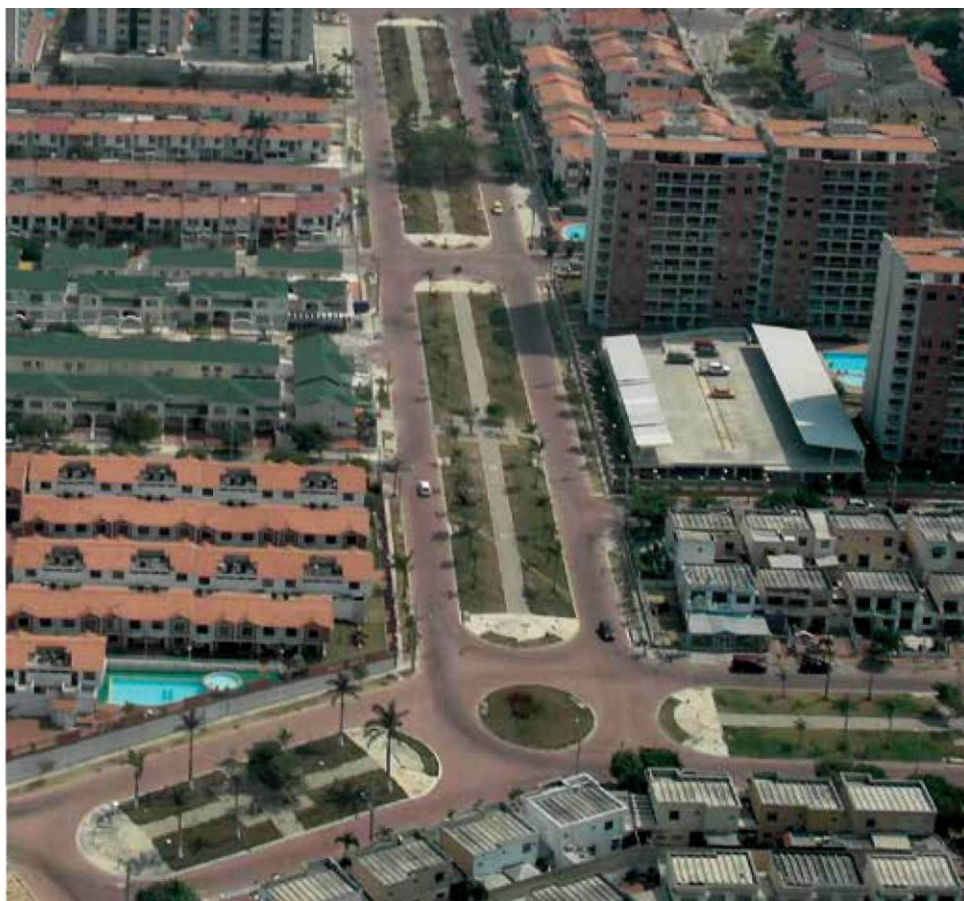
In terms of urban planning, licenses for about 30 hectares of land were obtained in 2012 for current and future projects in Barranquilla and Puerto Colombia.

In the properties for rent line, a first step was taken with the signing of the Memorandum of Understanding with Grupo Exito for the participation in Viva shopping centers, and the private agreement of Viva Villavicencio, a project with an estimated investment of 213,000 million pesos that will include 159 business spaces and 1569 parking spaces. This project is expected to be completed by mid-2014.

As for the financial figures, total income in 2012 was 40,491 million pesos, a 45% decrease compared to the total income in 2011. The Ebitda for 2012 was 9,213 million pesos, a 79% decrease compared to 2011. The net income was 7,687 million pesos.

These decreases are largely explained by:

- The definition of operating expenses (which previously were not) in order to comply with the IFRS (International Finance Report Standard), affecting the Ebitda by around 8,500 million pesos, but without affecting the net income.
- The problems that arose in the registry of real estate assets of Grupo Argos after the spin-off that delayed negotiations and deeds of the various urban projects of Situm.



Legal Issues

Administrative and legal processes and, in general, the legal situation of the company has been normal, without unfavorable rulings or events.

There were no significant transactions with partners or managers in 2012. The detail of transactions with related parties is shown in Note 29 to the consolidated financial statements and Note 26 to the individual financial statements. The special report referred to in Article 29 of Law 222 of 1995 can be found in the USB memory stick delivered along with the printed version of this report.

The summary of operations referred to in Paragraph 3 of Article 446 of the Commercial Code is in the brochure, and the details of each of such operations can be found in the USB memory stick delivered along with the printed version of this report. It should be noted that this document was part of the information that was made available to shareholders during the period provided by law for exercising the right of inspection.

The company has strictly complied with the rules governing intellectual property and copyright. To this end, it has designed policies and controls to ensure such compliance, including the relevant supporting documentation.

Also, the effectiveness of the controls has been tested and verified and the existing systems for disclosure and control of financial information have been satisfactorily assessed, and found to be effective.

The company has had no certain and definite information of significant events that might have occurred between the date of the fiscal year-end close and the preparation of this report that could compromise its evolution or the shareholders' equity.

Board of Directors

Jorge Esteban Giraldo (Chairman of the Board)
David Bojanini
Carlos Enrique Piedrahíta
Mario Scarpetta
Rosario Córdoba
Guillermo Heins
Ana Cristina Arango

President

José Alberto Vélez

Corporate Governance

For many years the Grupo Argos has shown its strong commitment to good corporate governance. Therefore, all its actions revolve around integrity and transparency as the principles of the Organization's corporate philosophy.

This is reflected and evidenced by the responsible, honest and serious business practices, in a harmonic balance with each of its groups of interest. For this reason, the company has ethics, integrity, and transparency as the pillars on which the business organization stands.

The corporate governance in the Grupo Argos is designed based on the following principles:

- Fair and equal treatment to all shareholders and investors.
- Equitable, timely, and regulated provision of relevant information that shareholders and investors require for their decision-making processes.
- Transparency, fluidity, and integrity of information provided to the market.
- Clear rules for all actions undertaken by administrative bodies, directors and officers.
- Adhere and require adherence to applicable national and international regulations.
- Environmental responsibility.



It should be noted that as a member of the Companies Circle of the Latin American Corporate Governance Roundtable, the company has been designated to lead the team that will study the issue of best practices of corporate governance in business groups.

The Grupo Argos has various governance bodies to implement the practices and corporate governance standards that govern the company.

General Assembly of Shareholders

The General Assembly of Shareholders is the highest corporate body. It must hold ordinary meetings once a year and as many extraordinary meetings as required for the proper fulfillment of the functions that have been assigned to it, as set forth in the bylaws.

The operation and the call of the Assembly are governed by the provisions of the Law, the Articles of Incorporation and the Code of Corporate Governance.

Board of Directors

The Board of Directors of the Grupo Argos is composed of seven members, five of which meet the independence criteria set out by the Colombian law. None of the members of the Board of Directors is employed by the company.

Management Support Committees of the Board of Directors

The Board of Directors appoints three Support Committees which are composed of Board members and officials of the company.



Audit and Finance Committee

The main function of this Committee is to assist the Board in monitoring the effectiveness of the internal control system, ensure that the procedures conform to the needs, objectives, goals and strategies set out by the Grupo Argos, and that these procedures are framed within the objectives of internal control such as: efficiency and effectiveness in the operations, and sufficiency and reliability of financial information.

The current members of the Board of Directors are:

- ▶ Jorge Esteban Giraldo Arango (independent member)
- ▶ Guillermo Heins Finkensteadt (independent member)
- ▶ Ana Cristina Arango Uribe (meets the independence criteria)

• Appointments and Compensation Committee

One of the functions of this Committee is to set policies and standards for the recruitment, compensation and development of managerial staff of the company. It continuously monitors the goals of the various compensation programs in relation to the officials' performance, and defines and recommends the use of compensation and remuneration programs for the staff, as well as the evaluation of the effectiveness of those programs.

The current members of the Board of Directors are:

- ▶ Jorge Esteban Giraldo Arango (independent member)
- ▶ Mario Scarpetta Gnecco (meets the independence criteria)
- ▶ Rosario Córdoba Garcés (meets the independence criteria)

• Corporate Governance Committee

The responsibilities of this Committee include promoting the training and updating of senior staff in academic and business issues, and also promote their attendance at seminars and events to stay in contact with agencies, entities and national and international companies. It is also responsible for overseeing the processes of the Board of Directors, including determining meeting schedules and agendas, the flow of information to managers, and for ensuring compliance with the Code of Corporate Governance, with the support of Internal Audit.

The current members of the Board of Directors are:

- ▶ Jorge Esteban Giraldo Arango (independent member)
- ▶ Carlos Enrique Piedrahíta Arocha
- ▶ David Bojanini García

The President of the company is also a member of this Committee.

Each of the support committees of the Board of Directors may invite any official of the organization or an independent expert, when it considers it necessary, in accordance with the nature of the topic to be discussed.

Supervisory Bodies

• Statutory Auditor's Office

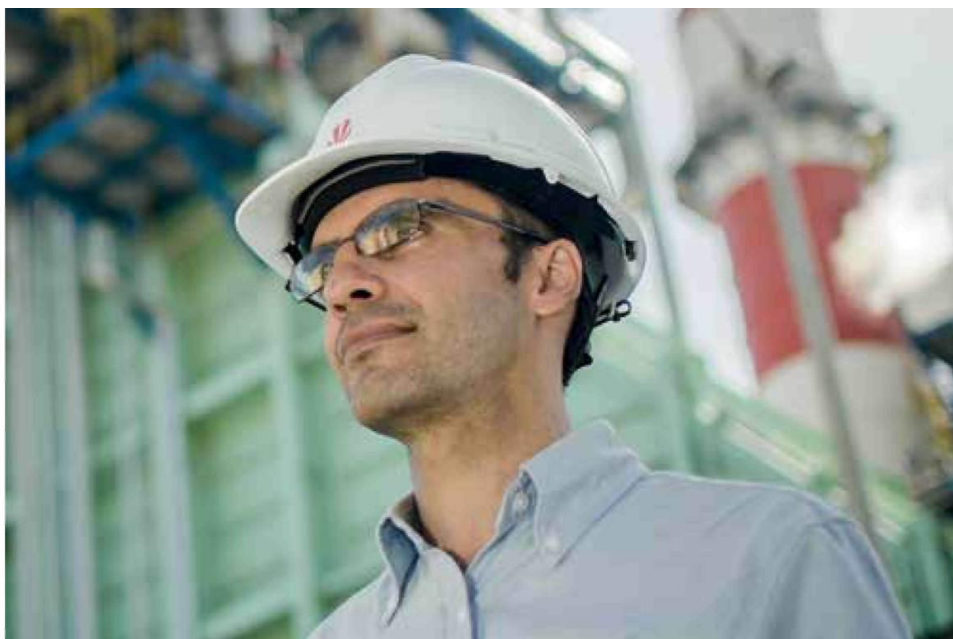
The Statutory Auditor's Office of the Grupo Argos is independent and autonomous in the discharge of its duties. During 2012, there were no reports of disqualification or conflict of interest as referred to in the law.

• Financial Superintendence

In accordance with the applicable regulations, the Financial Superintendence of Colombia exercises control over the company. During 2012, the company complied fully with all applicable regulations. Other activities included the timely preparation of the Country Code Survey of Best Corporate Practices.

• Audit and Internal Control Office

The structuring of the Auditing and Internal Control area, separately from Argos, began in 2012. This area is responsible for ensuring that all the processes and procedures of the Grupo Argos adhere to all applicable regulations and to previously established management guidelines. In 2012, the main aspects of the organization's Internal Control were outlined with the active participation of the Audit and Finance Committee.



New Code of Good Governance

The Board of Directors of the Grupo Argos approved an amendment of the Code of Corporate Governance in 2012. The Code was updated with the highest standards of good governance and transparency, the pillars on which all management's actions are based. This Code will be the basis for companies related to the Grupo Argos to adjust their existing codes and maintain the highest management standards.

Notable among the amendments are the following:

- Require that at least 50% of the members of the Board meet the independence requirement. It should be noted that the requirements for a member to be considered as independent have been raised to make them consistent with the highest international standards.
- Mandatory external evaluation of the Board of Directors' performance.
- Provide shareholders with transparent access to information through postings on the website.
- Strengthen the Investor Relations Office.
- Clearly establish the periods and the conditions under which the members of the Board of Directors and managers of the organization can acquire securities issued by the same company or its related parties.
- Establish that the Chair of the Board of Directors must always be one of the independent members.
- Extend the term of the Assembly meeting notice from 15 to 20 business days (this will be implemented gradually in the Organization).

- The possibility of exercising the right of inspection in the domicile of the company and in the administrative branch offices was established as an alternative.
- It was determined that the status of independent member of the Board of Directors is lost after the third period of three years.
- The maximum age to be a member of the Board of Directors was set at 72, and the age of retirement of the President of the company was set at 65.
- The committees of the Board of Directors, including the Audit and Finance Committee, must always include independent members.
- The Internal Audit of the company is an independent body that reports directly to the Audit and Finance Committee.



Important activities were carried out during the fiscal year for the implementation of the new Code provisions, among which the following stand out:

- A research study of the best practices implemented by the Boards of Directors of holding companies worldwide was conducted in cooperation with the firm Prospecta, which served as basis for defining the action plan that the Board of Directors of the Grupo Argos must develop in 2013. This action plan determines not only the frequency of meetings, but also the issues that should be addressed in each meeting to achieve a proper balance in the analysis of the strategy and direction of each of the businesses in which the company invests.
- Jorge Esteban Giraldo was appointed Chairman of the Board of Directors, who is an independent member of this body. This represents a very important and progressive step forward in corporate governance in Colombia.



Office of Investor Relations

To strengthen the Office of Investor Relations and offer more shareholder services, various improvements were made in 2012.

Grupo Argos' relations with shareholders and investors are governed by five principles:

- **Respect:** For each and every shareholder and investor.
- **Integrity and trust:** To be consistent in ideas and acts.
- **Honesty:** Accurate and true market information.
- **Agility:** Timely responses to shareholder and investor requirements.
- **Transparency:** Clarity in all that is said and done.

Objectives

These are the objectives that guide the actions of the Grupo Argos Office of Investor Relations:

- Recognize the rights of shareholders and investors.
- Provide shareholders and investors the relevant information required for decision-making.
- Plan and hold Shareholder Meetings so that all shareholders can participate.

- Treat all shareholders and investors fairly and equally.
- Facilitate communication between the company and potential shareholders or investors.
- Be clear on the short and long-term strategy of the company.

Interaction channels

To provide complete availability and ease of access for shareholders and investors, Grupo Argos offers three different interaction channels:

► Email: irelations@grupoargos.com

► Telephone: (5 74) 319 8712

► Offices: Carrera 43A 1A Sur- 143 Torre Sur, piso 3

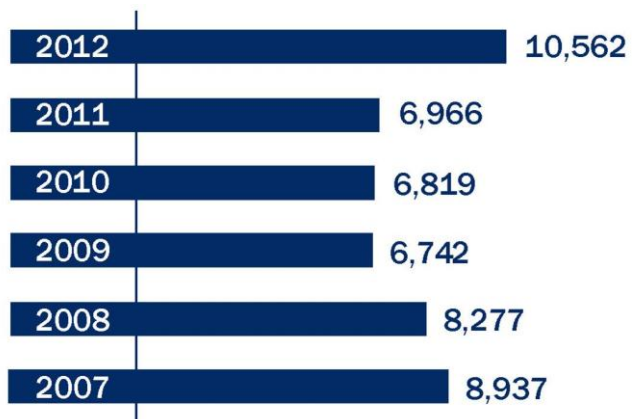
Noteworthy events

During the year, Grupo Argos attended various national and international conferences for potential investors.

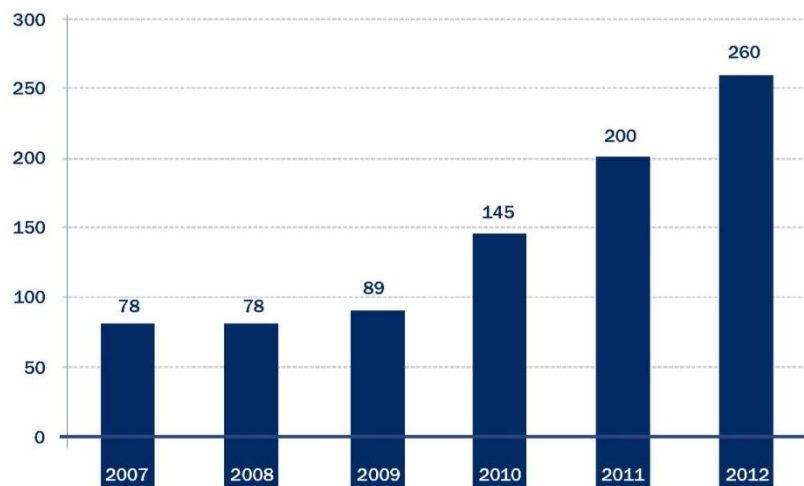
The company participated in investor conferences in Chile, Mexico and Colombia; during these events the company held about 110 individual meetings with different investment funds.

Additionally, as part of good investor relations, in 2012 the company had direct contact with firms covering the company's stock to keep them up to date on both financial information and relevant corporate information. As part of this, quarterly conference calls were held to discuss financial results and business expansion plans.

Number of shareholders

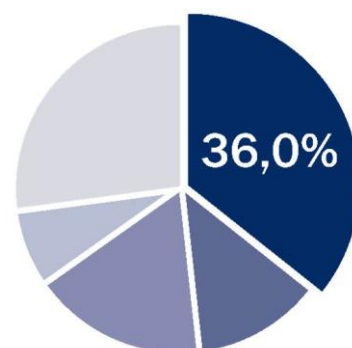
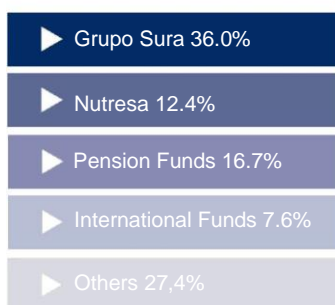


Foreign funds shareholders



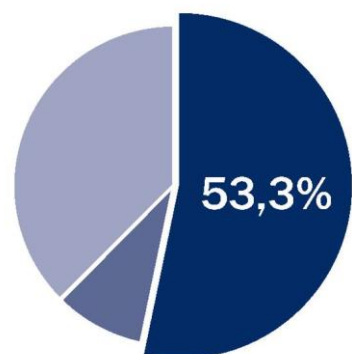
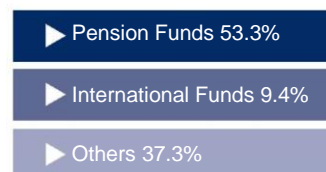
Shareholder compositions on December 31, 2012

Common Stock



* "Others" includes
▶ companies, mutual funds and
individuals.

Preferred Stock



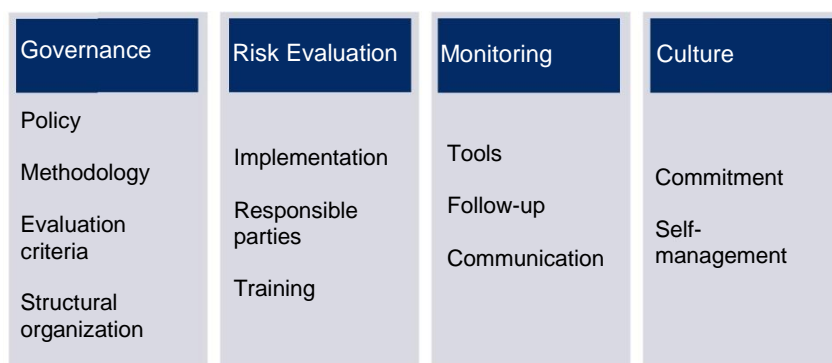
Strategic Vision and Risk Management

The Grupo Argos strategy is the fundamental core of the corporate organization; the strategy of the Corporate Group is the guideline for the competitive strategy of each of the business units. The matrix defines and provides a general framework for the respective businesses.

This model for intervention in companies in which Grupo Argos invests implies active participation by Grupo Argos in the construction of the organization's corporate strategy and the setting of a framework to orient the competitive strategy of its businesses.

Grupo Argos participates actively as principal architect of the strategy of the companies, as in the case of Argos and Celsia, as well as in the structuring of new businesses including ports, real estate and coal. With this in mind, the parent company designed a governance system reflecting control over the organizations and including the participation of the Board of Directors and the Business Management Committees to coordinate construction of growth strategies for the different companies.

Within this process of defining the corporate strategy and as an essential part of the managing of its businesses, Grupo Argos is implementing an Integral Risk Management System under the pillars of governance, risk evaluation, monitoring and culture; this system applies to both the parent company as well as the invested businesses.



The scope of integral risk management covers three categories of the strategic priorities, applying to each one an internationally accepted methodology covering all areas of the organization and providing a risk map to facilitate the management of the businesses based on its risks.



Each of the Grupo Argos companies has identified the principal risks of its business. This process is aligned with the strategy in the prioritizing, identification, evaluation, analysis and definition of actions for monitoring risk, generating greater awareness and focus on the areas making control decisions and thus mitigating these risks.

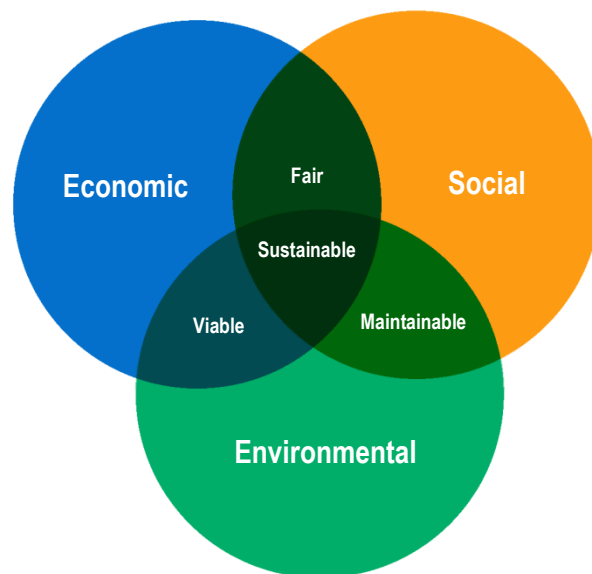


Sustainability

The organization understands sustainability as the constant search for balance between the generation of profit at the different businesses with social development and the mitigation of environmental impact under the framework of good relations with its stakeholders and the principles of the Global Compact.

This creates synergy among the economic, social and environmental dimensions, starting with the generation of profit but always seeking to understand and mitigate the social impact of the operations and soundly interacting with the environment.

Taking into account these aspects, Grupo Argos and its companies carry out the economic, social and environmental dimensions in a fair, maintainable and viable and thus sustainable manner.



Principles of Sustainability

For Grupo Argos, sustainable development is the path to continued growth for the organization. It aims all its efforts and investments to guarantee sustainability, involving all its stakeholders.

The company's principles of sustainability are:

1. To be responsible with people and the environment.
2. To include sustainability as a strategic pillar in its businesses, creating value for all its stakeholders.
3. To continually improve economic, environmental and social results using operating efficiencies at global standards.
4. To attract, develop and retain the best human talent based on a policy of inclusion and diversity.
5. To commit to the industrial safety and occupational health of its employees, suppliers and clients of its businesses.
6. To contribute to the development and improvement in the quality of life of the communities where its businesses operate.

Principal Actions

For Grupo Argos, sustainability and good governance are strategic axes of the parent organization as well as hallmarks of all its businesses.

The new Good Governance Code adopted by the Board of Directors in December 2012 ratifies that a fundamental principle of the organization is to work harmoniously with the environment and the community. For this purpose and to achieve a rational transformation of resources, Grupo Argos must take into account within its management standards the following environmental commitments:

- Act responsibly towards the environment with clean and efficient production.
- Prevent and mitigate environmental impacts generated by extraction, manufacture, marketing and distribution processes.
- Comply with the principles and requirements established in environmental regulations, taking into account international standards.
- Continually improve performance and efficiency of environmental management and with this, the ecoefficiency of the processes.

- Promote awareness in employees and their families, contractors and the communities in the area of influence through promotion of creative talent, consolidation of relations with the communities, development of communication and training strategies and the development of commercial relations with suppliers of goods and services based on compliance with environmental requirements contained within the contractual framework.

These commitments are incorporated in the Corporate Policy for Sustainability which began to be created in 2012; this must be the framework for the operations of the Grupo Argos companies.



To ensure the implementation of these commitments, the Vice President of Corporate Affairs of Grupo Argos holds working meetings with the parties responsible for sustainability in the organization's companies to jointly create guidelines and policies.

However, specific topics and issues of day to day operations are managed individually by each of the companies' Sustainability areas which are responsible for consolidating and monitoring the evolution and results of their initiatives to ensure that they are aligned with the specific business strategy and the guidelines given by Grupo Argos.



Additionally, the members of Senior Management of the Grupo Argos companies have individual objectives related to sustainability in their own organizations.

These objectives have been developed through the strategic planning of each business and the risk analysis carried out by each company.

Each business has a specialized team to develop its own initiatives to diminish environmental impacts. To do so, they define strategies and develop action plans for the following aspects:

- Energy management
- Water management
- Climate change
- Use of raw materials
- Surplus recycling
- Waste management
- Biodiversity
- Environmental education
- Management of environmental permits

To manage and control their environmental actions, the organization's companies use indicators to measure their impact on the environment.

Argos consolidates its role as significant player in the cement and concrete industry.

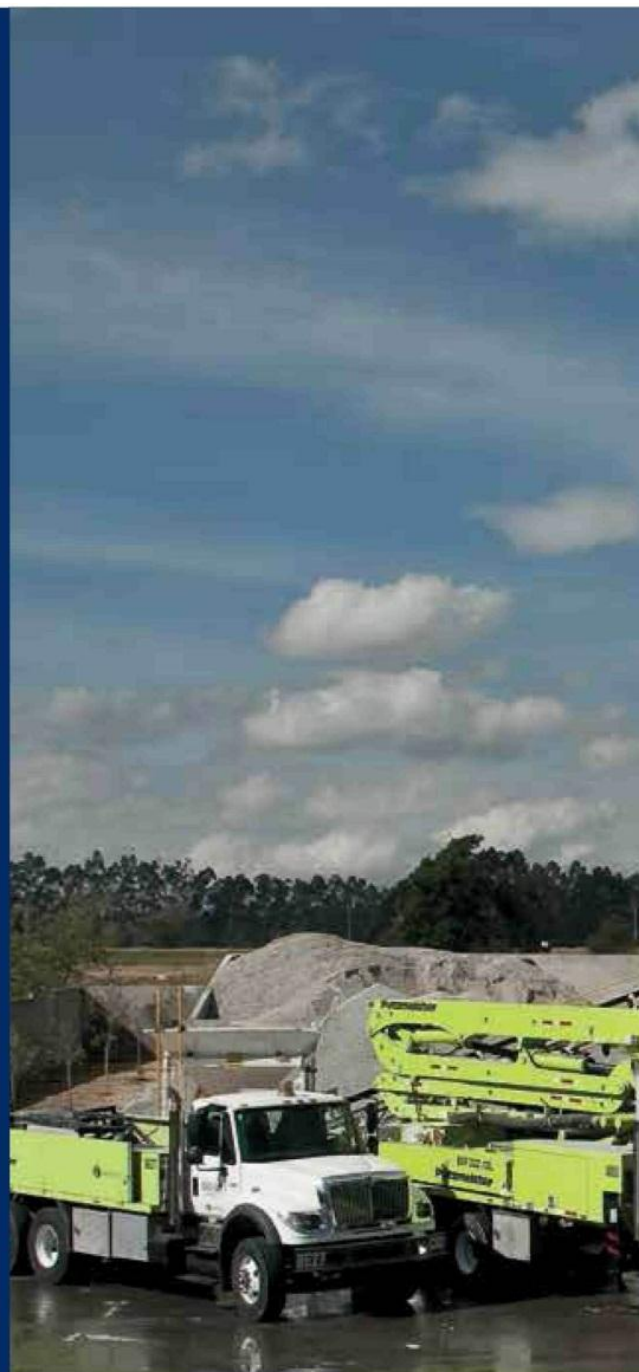
Consolidated Ebitda in 2012 rises to

791,190

million pesos

25%

higher than in 2011





ARGOS

Argos is a multinational organization, producer and marketer of cement and ready-mix, present in Colombia, the United States and the Caribbean.

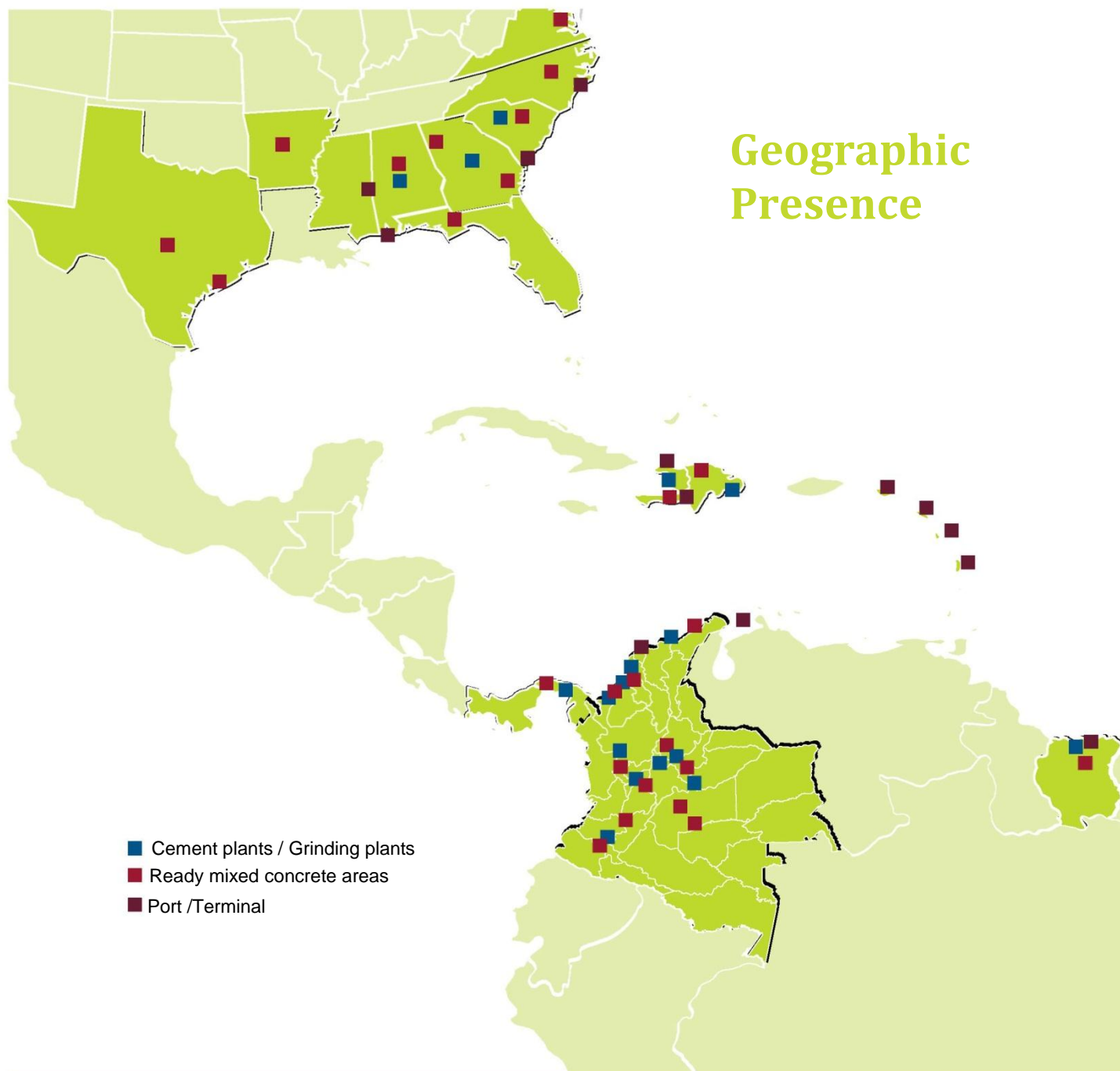
It is the leading cement producer in Colombia, fourth largest in Latin America and second largest in the southeast of the United States;

Its total annual installed production capacity is approximately 15.6 million metric tons. In the ready-mix business, it is the leading producer in Colombia and the fourth largest in the United States; its total annual installed production capacity for ready mixed concrete is 14.06 million tons.

The Association of Cement Producers projects that consumption in the United States will increase by an average of 8% annually over the next six years.

In Colombia, the lag in infrastructure (93rd out of 144 countries) and the decision by the Government to invest up to 3% of GNP over the coming years (tripling present investment levels) bodes well for this business.





Geographic Presence

- Cement plants / Grinding plants
- Ready mixed concrete areas
- Port / Terminal

► Colombia

Cement

49% market share
 Installed capacity: 9.9 mm TPA
 Plants: 9
 Grinding Plants: 1
 Ports: 1

Ready mixed concrete

Installed capacity: 3.5 mm m³
 Plants: 54
 Mixers: 540

► United States

Cement

Second largest producer in the southeast
 Installed capacity: 3.2 mm TPA
 Plants: 2
 Grinding Plants: 1
 Ports: 4

Ready mixed concrete

Third largest producer in US
 Installed capacity: 9.9 mm m³
 Plants: 239
 Mixers: 1,454

► Caribbean

Operations in Panama, Haiti, Dominican Republic, Surinam, St. Maarten, St. Thomas, Antigua Dominicana and Curaçao

Cement:

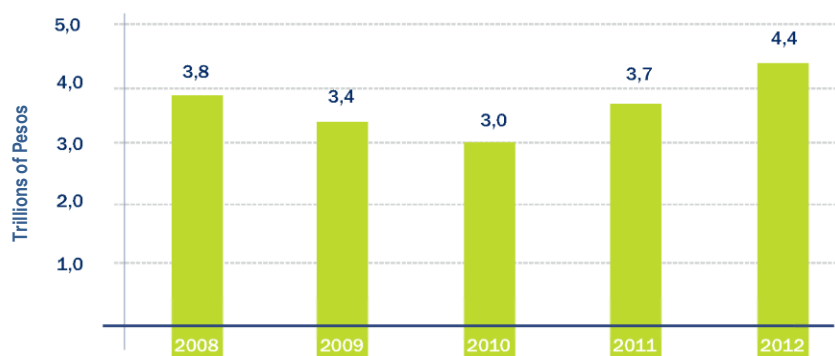
A leading cement producer in Panama and the Caribbean by volume sold in 2011

Installed capacity: 2.5 mm TPA
 Grinding Plants: 4
 Ports and terminals: 9

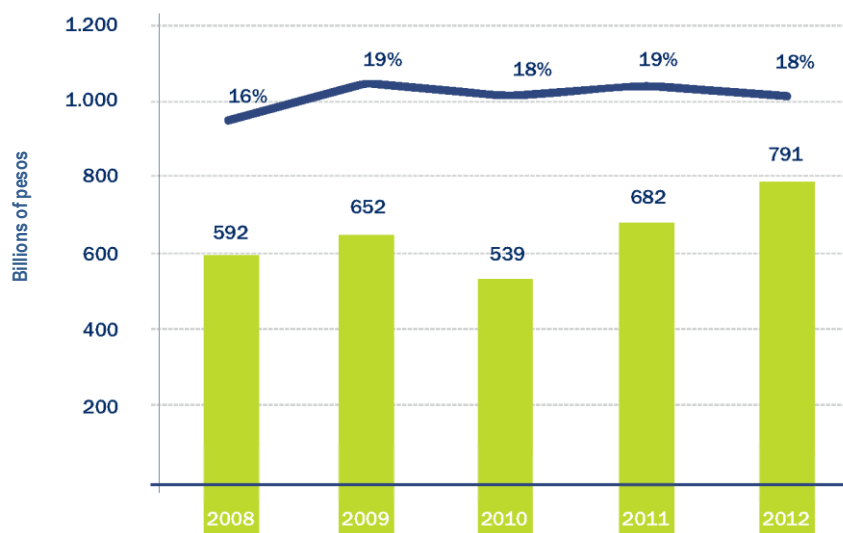
Ready mixed concrete:

Installed capacity: 0.7 mm m³
 Plants: 14
 Mixers: 143

Consolidated Revenue



Ebitda and Ebitda margin



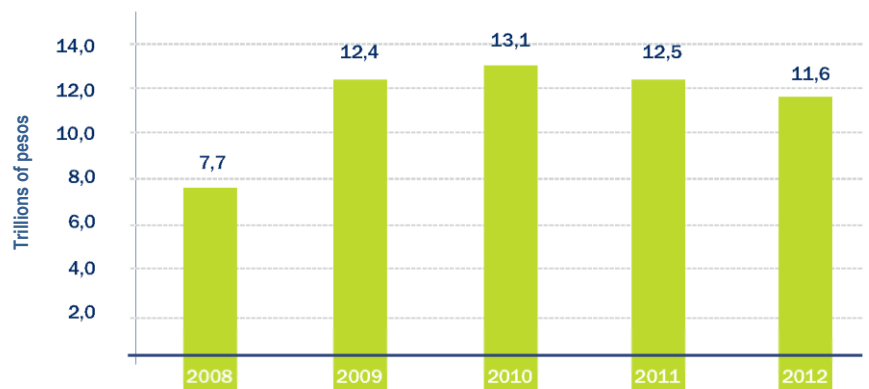
► Consolidated Ebitda Margin

► Consolidated Ebitda

Dividend



Stock Market capitalization



2012

A year of growth and expansion

A net profit of

230.760

million pesos

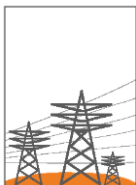
51%

higher than in 2011





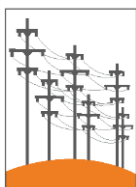
CELSIA



Transmission

► Substations (220 kV) 7

► Length of transmission network (274 km)

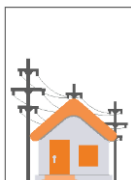


Distribution

► Substations (115 kV) 21

► Substations (34.5 kV) 48

► Length of distribution network (19,387 km)



Commercialization

► Commercial offices 14

► Service and Payment Centers 14

► Collection Centers 569

► Telephone service 24 hours

► On-line internet payment services

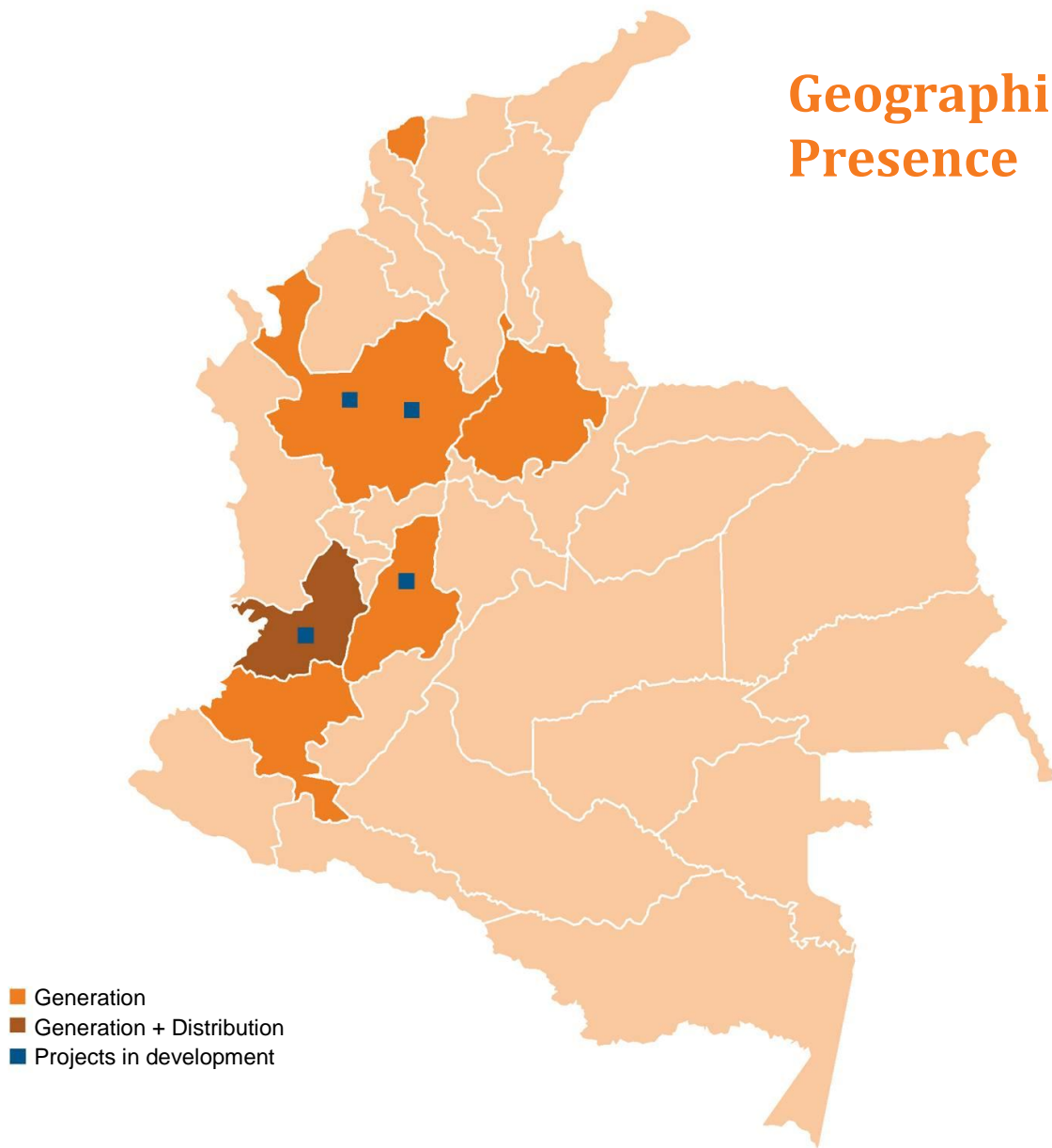
Celsia is a utility company focused on the generation and distribution of electricity. On a consolidated basis¹, it has installed capacity of 1,777 MW and plans to increase this by 447 MW which will increase its capacity by 25%. Celsia distributes electricity through Empresa de Energía del Pacífico S. A. E. S. P., EPSA and Compañía de Electricidad de Tuluá S. A. E. S. P., Cetsa, who serve 526,172 customers.

The business will benefit from demand growth in Colombia over the next few years. Additionally, Celsia is positioned to play a significant role in the region through new projects and acquisitions.



¹ Refers to Celsia S. A. E. S. P., Zona Franca Celsia S. A. E. S. P., EPSA E. S. P. and Cetsa E. S. P.

Geographic Presence



▶ Atlántico

610 MW
(Thermoelectric to
gas, combined cycle)



▶ Santander

167 MW (Thermoelectric)

623.7 MW (Hydroelectric)
Distribution – 526,603 Clients
19.9 MW (Project in development -
Hydroelectric)**

▶ Antioquia

39.8 MW (Hydroelectric)
371.9 MW (Project in development -
Hydroelectric)

▶ Cauca

285 MW (Hydroelectric)*

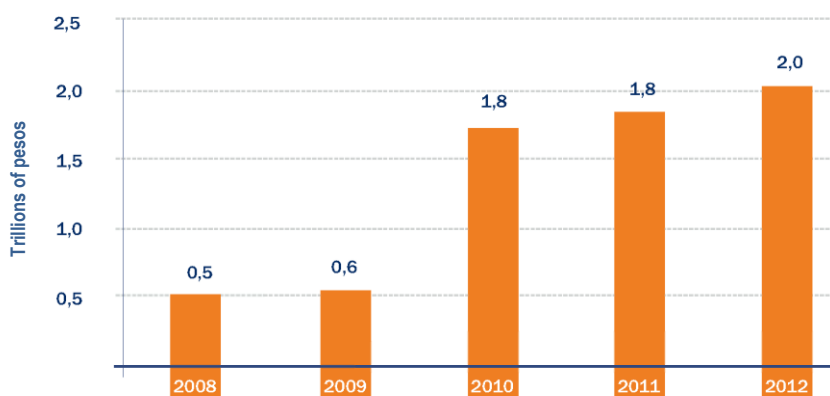
▶ Tolima

51 MW (Hydroelectric) *
55 MW (Project in development -
Hydroelectric) **

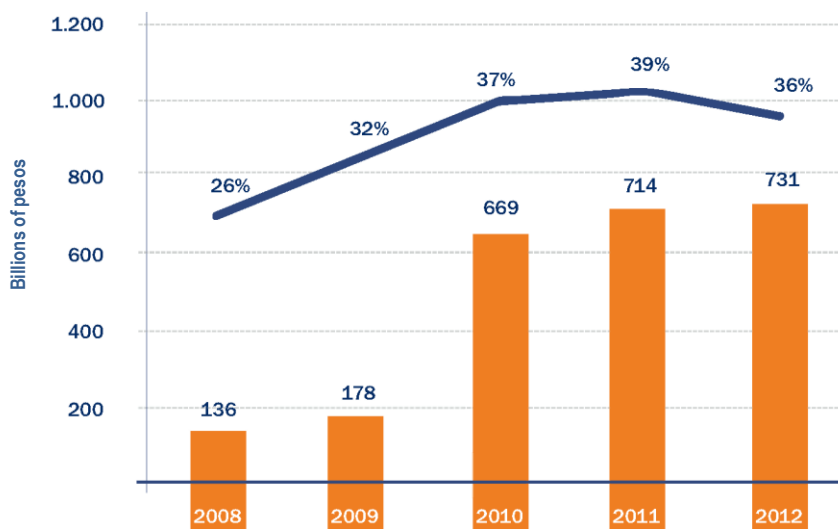
* Operated by EPSA

** Belongs to EPSA

Consolidated Revenue



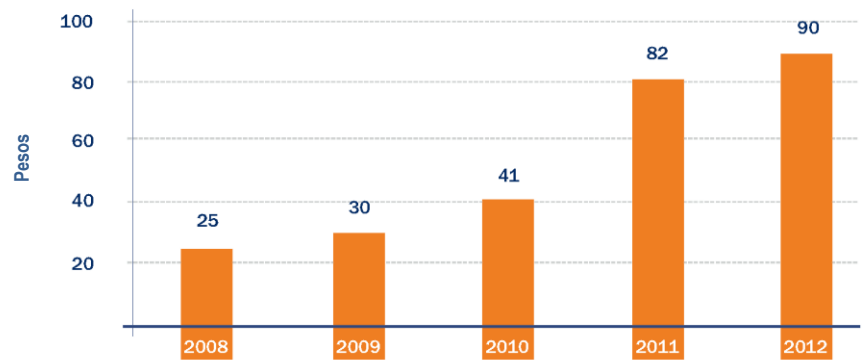
Ebitda and Ebitda margin



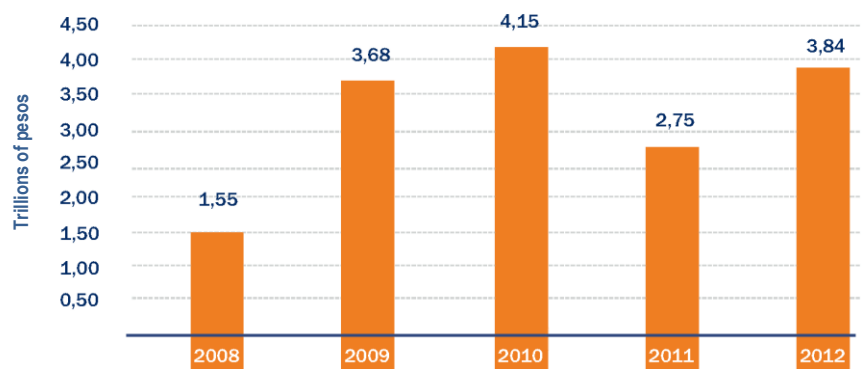
► Consolidated Ebitda Margin

► Consolidated Ebitda

Dividend



Stock Market capitalization

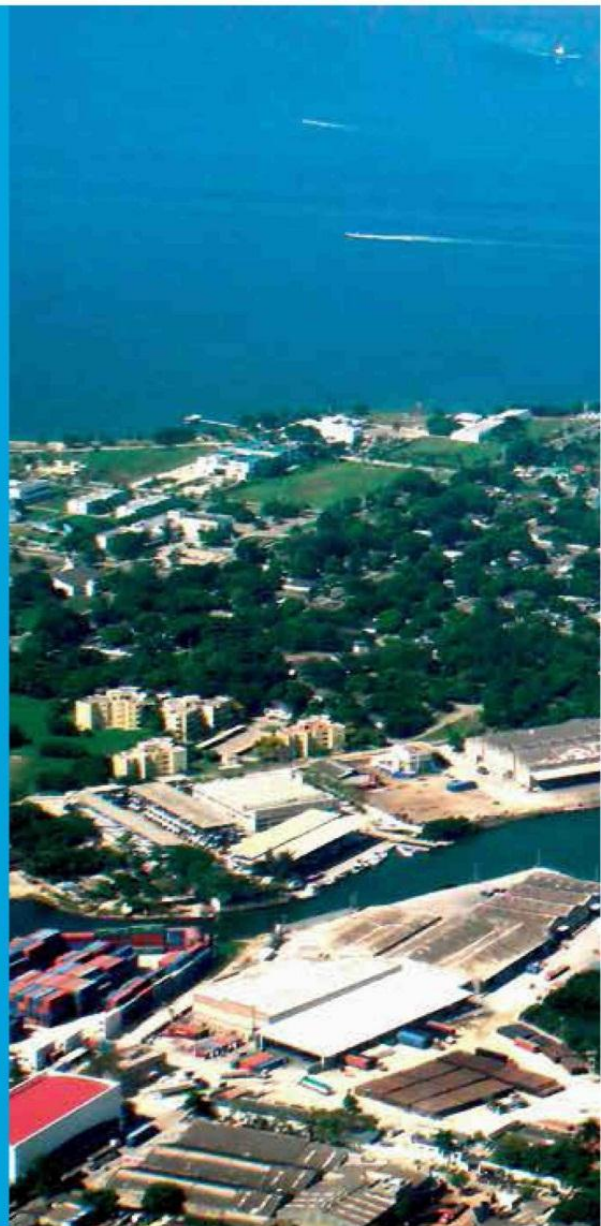


**New port
company**

In 2012

4.2 million tons

were moved





COMPAS

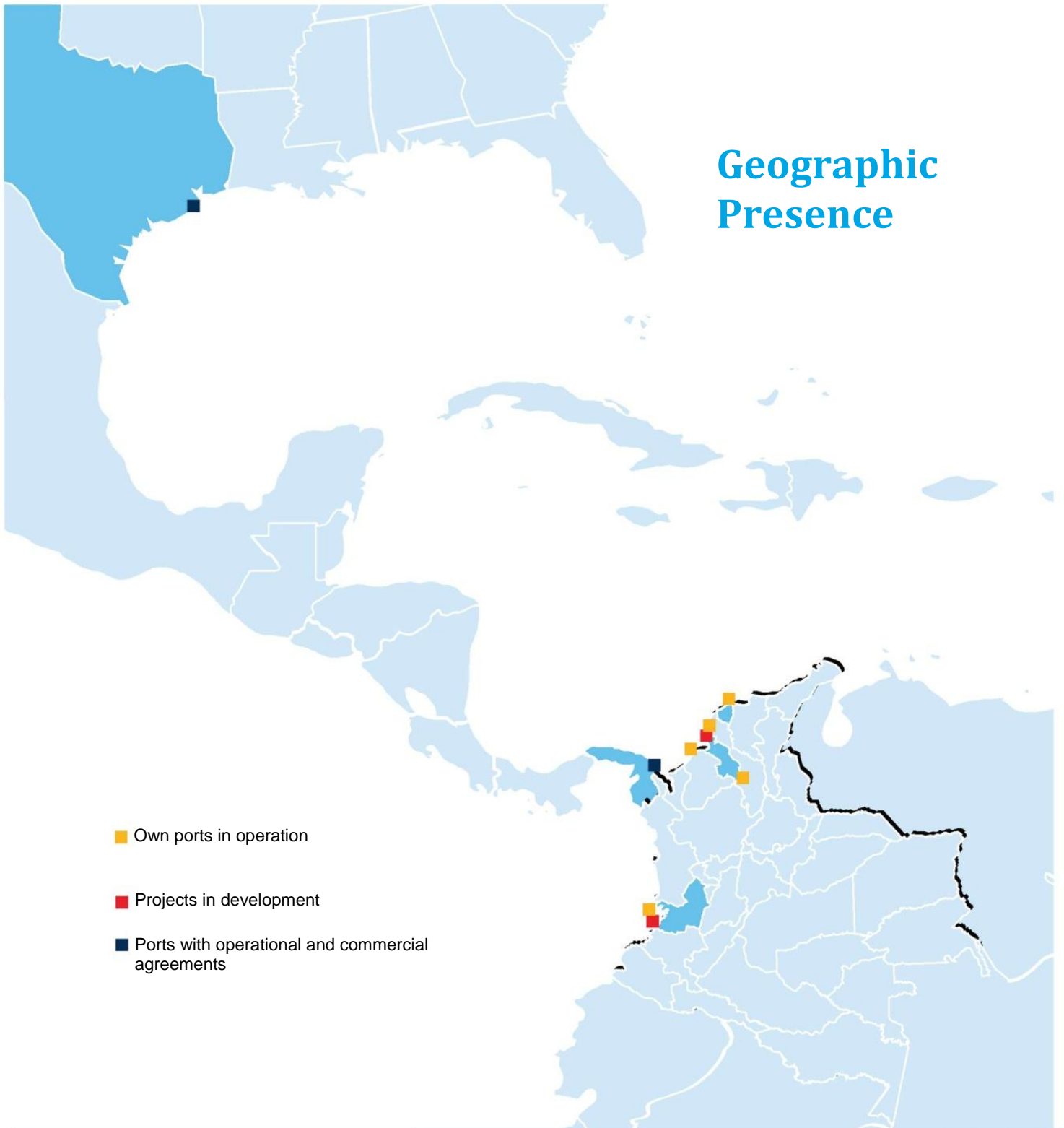
Compas, Compañía de Puertos Asociados, is a product of the December 2012 merger of the port assets of Grupo Argos with Muelles El Bosque. The present shareholder composition of Compas reflects 50% participation of Grupo Argos and 50% participation of Southern Port Holding, an infrastructure and energy investment fund belonging to the Echavarría Obregón family and the Spanish group Ership.

Compas provides national and international integrated logistic services for international trade. It has seven strategically located terminals: four on the Atlantic coast, two on the Pacific coast and one on the Magdalena River.

The business will benefit from the Free Trade Agreements already signed with important commercial partners including the United States and the European Union as well as those being negotiated or studied including that with South Korea. The International Monetary Fund (IMF) projects that exports and imports will grow 6% annually over the coming years.



Geographic Presence



Own Ports

Barranquilla
Buenaventura
Cartagena
Tolú
Tamalameque

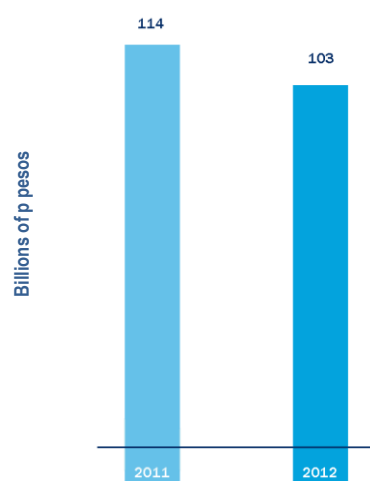
Projects in development

Buenaventura
Cartagena

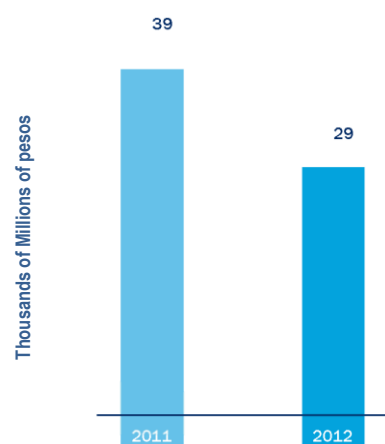
Ports with operational and commercial agreements

Panama
Houston, United States

Revenue



Ebitda

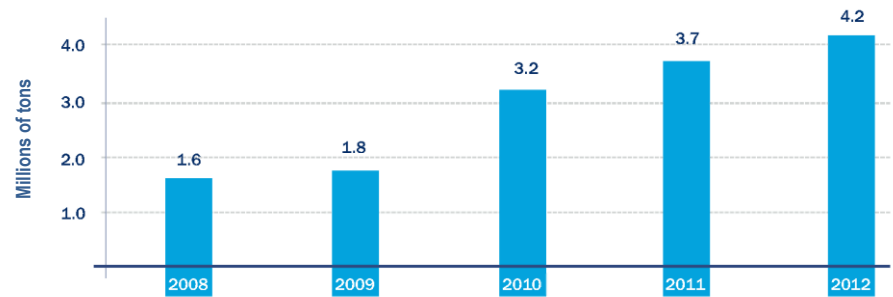


*Does not include infrastructure leasing expenses of 6.469 million pesos

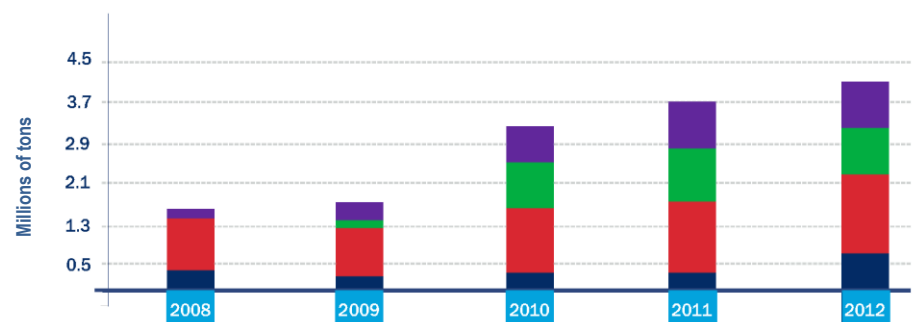
► *Only 2012 includes the Tolú and Barranquilla operations

► Exports
► Imports
► Imports (Grain)
► Internal transit and other

Tons moved



Tons moved by type of cargo



The beginning of a
strategic period to maximize the
coal business.

Under the exploration plan for
the Bijao mine,

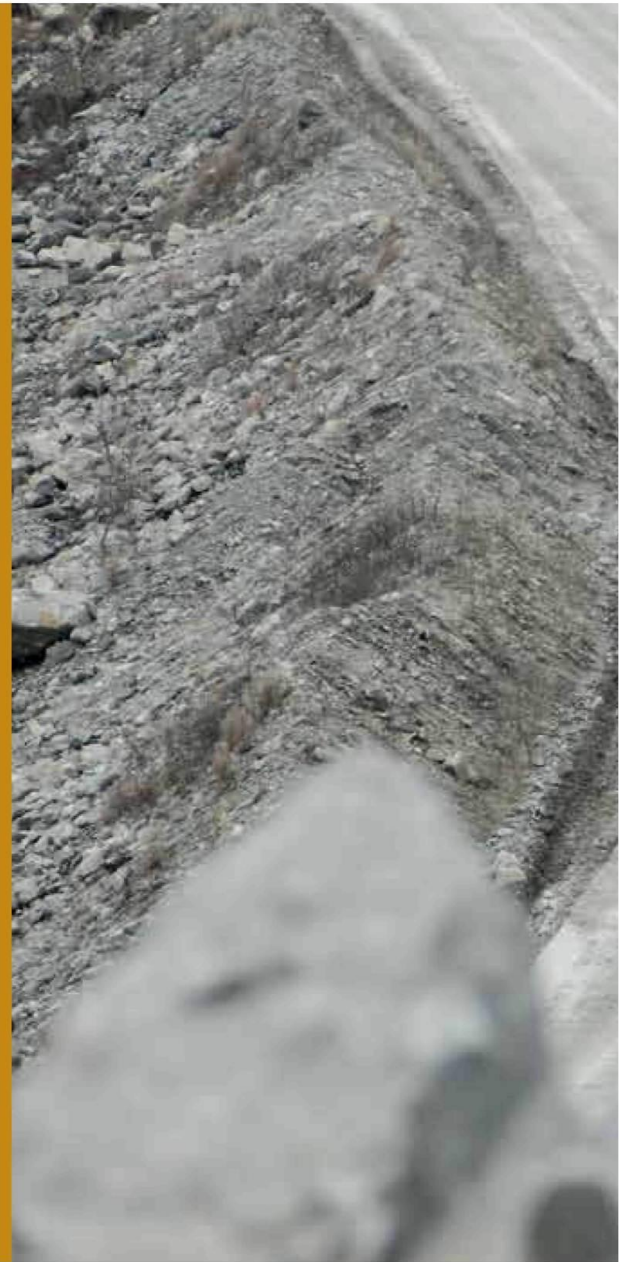
12,544 meters

were drilled

with an investment of

7.733

million pesos



SATOR





SATOR

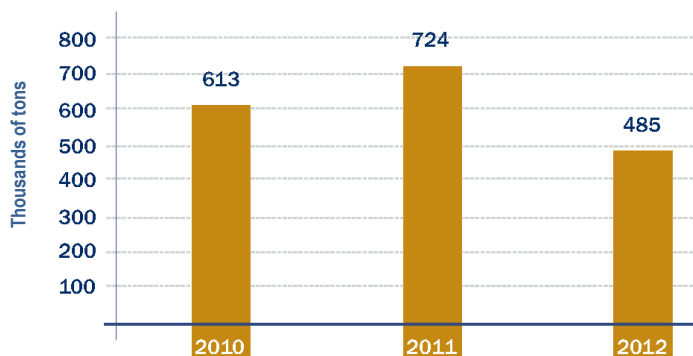
Sator, a 100% Grupo Argos company, with over thirty years of tradition, experience and presence in national and export markets, exploits and commercializes minerals, principally coal.

It produces, in open pit and underground operations, thermic and metallurgic coal with specifications and granulometries according to customer requirements. Its total annual production capacity is approximately 1.4 million tons.

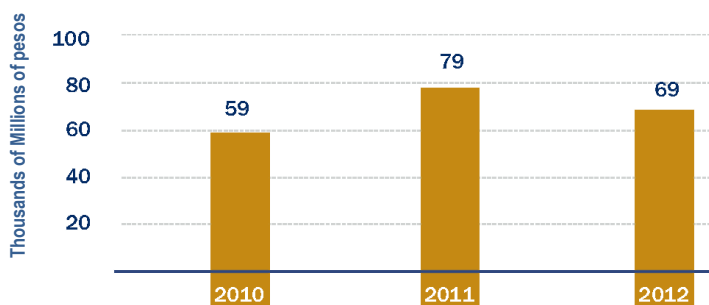
For the business it is critical to know levels of existing reserves; to do so Sator carries out exploration activities to obtain accurate information on mining resources and reserves using internationally accepted methodologies

It is important to note that since 2012 this business is being restructured to strategically position it to maximize assets and contribute to the growth of Grupo Argos.

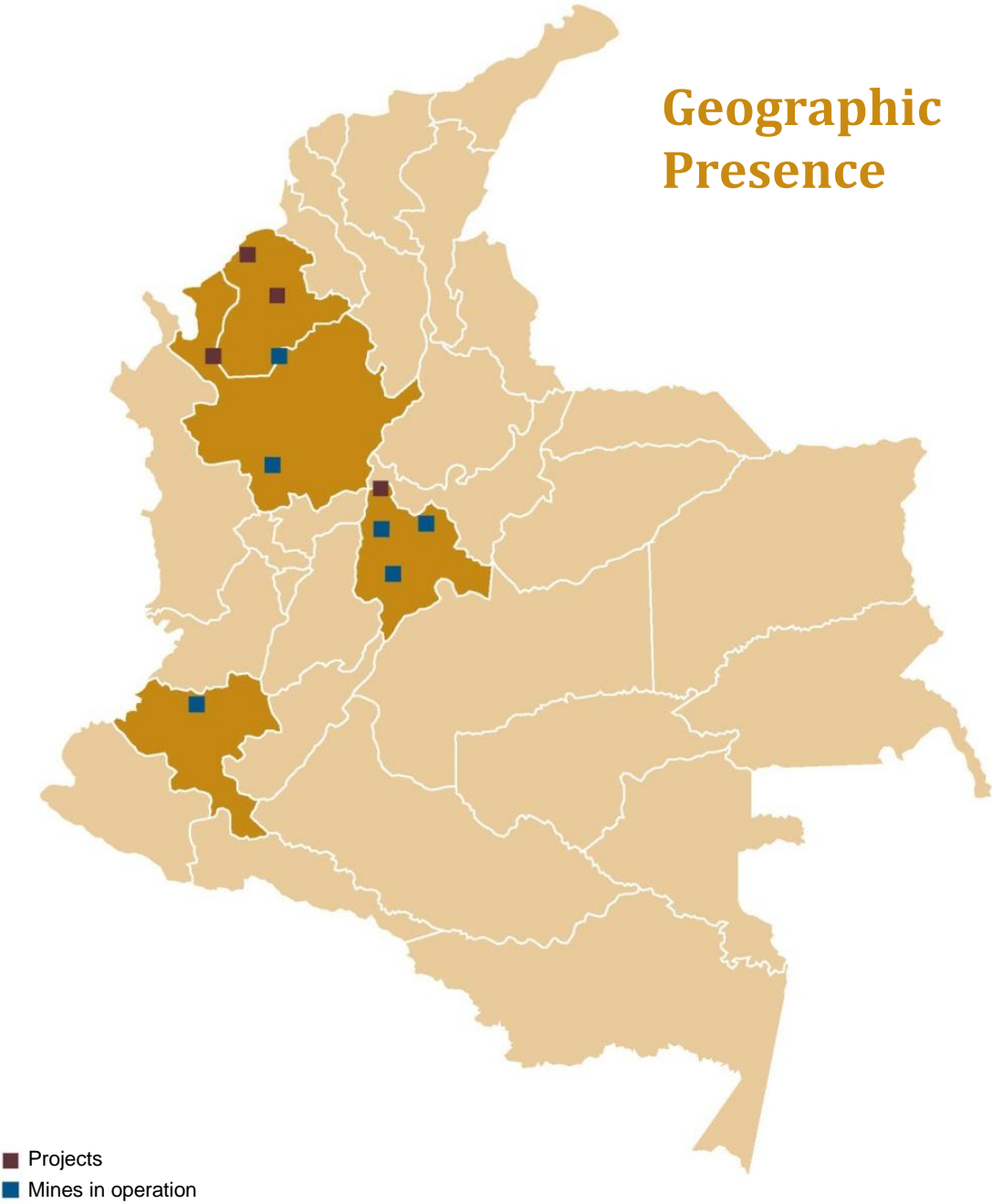
Tons Produced



Revenue



Geographic Presence



► Projects

► Mines in operation

Córdova Occidental
Ciénaga de Oro
Urabá
Caparrapí

Bijao
Nechí
Trinidad
Monserrate
Alejandría
El Palmar

Broadening of the strategy and
entry into
Property leaseback

Viva Villavicencio
Investment of
213.000
million pesos.





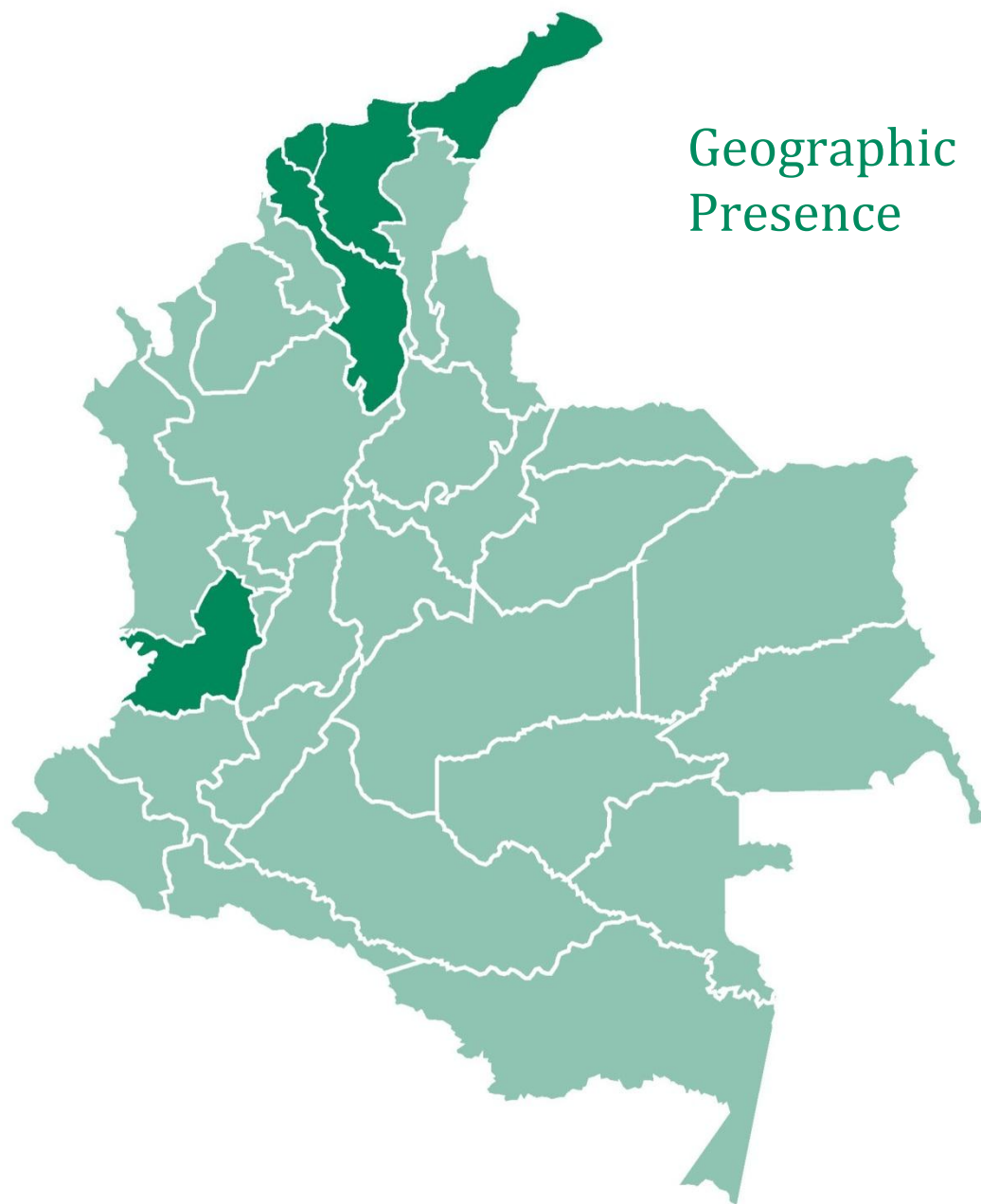
SITUM

Situm is composed of the real estate assets belonging to Grupo Argos after the spinoff of non-cement assets of Argos and of the assets of Urvisa S. A. S. As a result, the real estate business is 100% property of Grupo Argos.

The company has entered into the business of properties for rent both in constructed projects and in brown/green field projects. Currently the base of operations is the sale of properties for housing. This involves the horizontal development of land (road infrastructure, utilities networks, green areas, among others) to be then sold to the clients, mainly builders, for vertical development.

The real estate business is favored by the demographics in Colombia; the population will increase from 46 to 51 million by 2020, with family size decreasing to 3.5 persons. This not only implies population growth but also an increase in the number of families, stimulating demand for construction spaces, industrial material, services and housing.





► Departments

► Atlántico

► Bolívar

► Guajira

► Magdalena

► Valle del Cauca



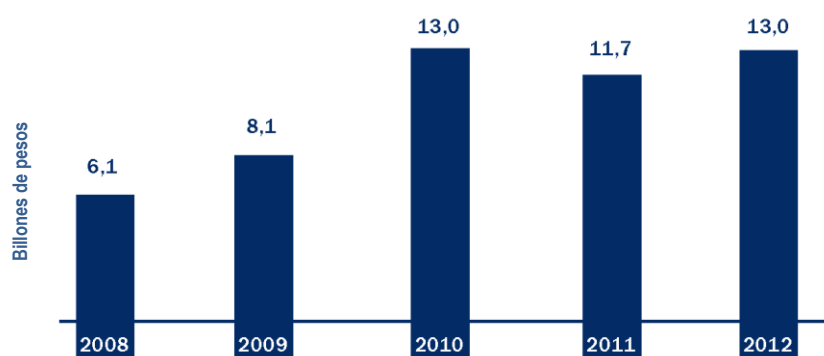
Capital Market

During the year Grupo Argos continued establishing itself as a relevant infrastructure matrix listed on the Colombian Stock Exchange (BVC), with a majority stake in cement, energy, real estate, ports and coal businesses.

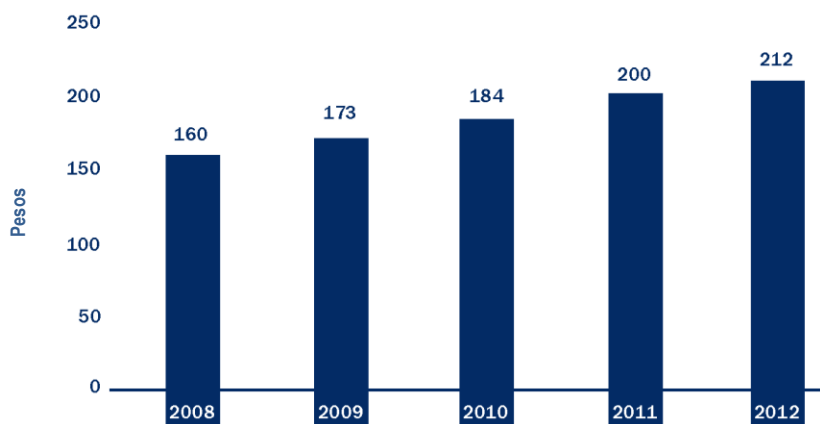
it is important to highlight the positive results seen in the company's share performance. In the past five years, the Grupo Argos's share has risen by 74 percent, nearly doubling that of the IGBC (General index of the Colombian stock exchange) in the same period, positioning itself as the fourth most important issuer of the Colombian stock market, whose average daily trade volume on the exchange exceeds 9,000 billion pesos.



Average annual market capitalization

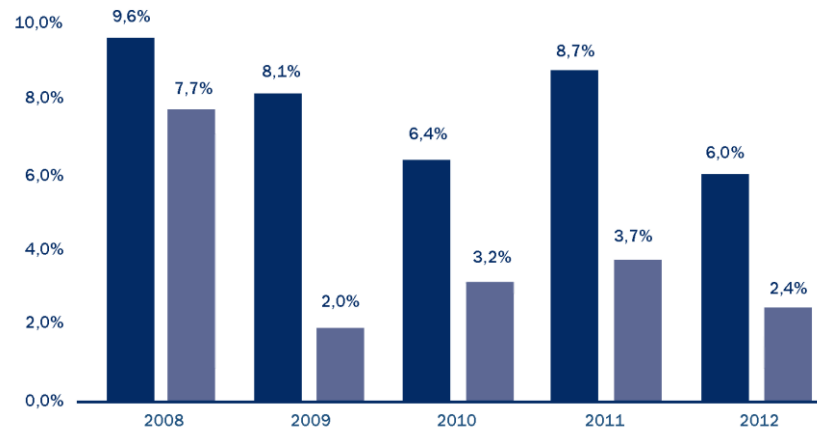


Annual dividend

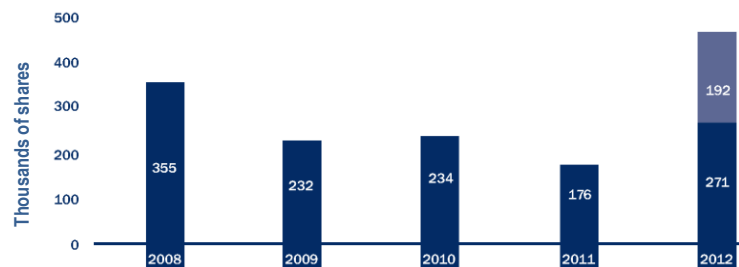




Dividend growth Vs. inflation

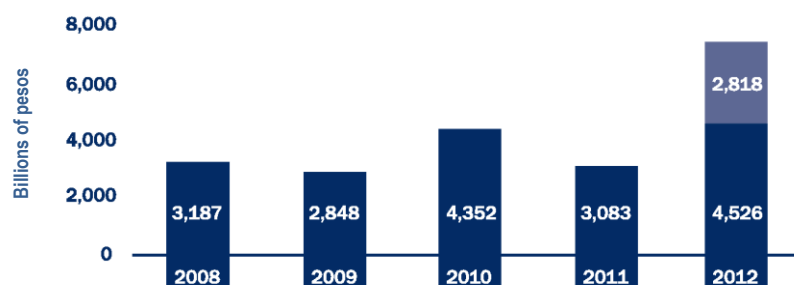


Average annual trading volume

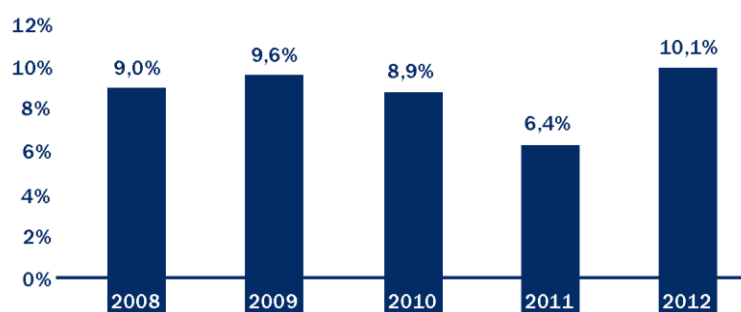




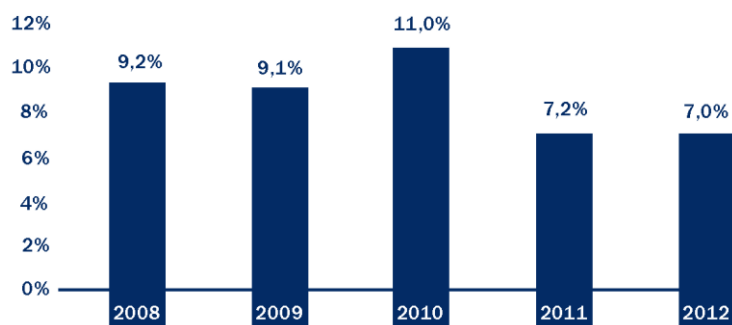
Average annual trading volume



Colcap index as of December 31 2012



Colcap index (annual average)



Financial Information

The Grupo Argos's consolidated income in 2012 rose 6.7 trillion pesos, which represents a growth of 15% compared with the figure recorded in 2011. The consolidated Ebitda reached 1.6 trillion pesos, in line with that recorded in 2011, and with a margin of 24%. Net income closed at 343.938 million pesos.

Consolidated assets amounted to 26.8 trillion pesos, a 6% increase compared to the 2011 year-end close. For this same period, liabilities increased by 1% for a total 9.1 trillion pesos. Net equity declined by 34% and reached 12.8 trillion pesos.

On an individual basis, operating income was 602.326 million pesos, Ebitda of 436.476 million pesos and a net income of 343.938 million pesos. .

Individual assets amounted to 16.1 trillion pesos, a 34% increase compared to the 2011 year-end close. For this same period, liabilities increased by 54% for a total 2.1 trillion pesos. Net equity increased by 32% and reached 14.1 trillion pesos.

It is important to note that the changes observed in the individual balance sheet were caused largely by absorption of Argos non-cement assets in May 2012, the issuance of preferred stock and Boceas (bonds obligatorily convertible into preferred stock) and the appreciation of the shares of Argos and its listed subsidiaries.




Consolidated Financial Statements


Grupo Argos S.A.


Consolidated Balance Sheet
At 31 December
(Millions of Colombian pesos)

ASSETS	Notes	2012	2011
CURRENT ASSETS			
Cash		846,894	501,485
Negotiable investments	5	621,161	481,086
Receivables, net	6	1,155,051	1,197,464
Inventories, net	7	467,056	397,514
Prepaid expenses		56,230	42,048
TOTAL CURRENT ASSETS		3,146,392	2,619,597
NON-CURRENT ASSETS			
Long-term receivables	6	85,878	56,726
Inventories, net	7	86,432	76,725
Long-term investments	8	1,043,257	1,081,237
Property, plant and equipment, net	9	7,172,640	7,370,482
Deferred charges and Intangible assets	10	1,918,447	2,017,243
Other assets		21,238	28,214
Asset revaluation	21	13,325,550	12,143,890
TOTAL NON-CURRENT ASSETS		23.653.442	22.774.517
TOTAL ASSETS		26.799.834	25.394.114
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Financial obligations	11	1,409,261	2,352,804
Bonds payable	12	87,091	234,640
Commercial papers	12	200,000	199,030
Suppliers and accounts payable	14	853,216	966,555
Taxes, levies and contributions	15	183,836	198,439
Labor obligations	17	66,223	96,275
Other liabilities	18	824,405	585,723
TOTAL CURRENT LIABILITIES		3,624,032	4,633,466
NON-CURRENT LIABILITIES			
Financial obligations	11	1,685,905	2,170,285
Bonds payable	12	2,530,588	1,606,146
Bonds convertible into shares	13	749,248	-
Accounts payable	14	75,857	111,122
Taxes, levies and rates	15	46,923	93,080
Labor obligations	17	340,072	333,959
Deferred liabilities	16	95,751	136,177
TOTAL NON-CURRENT LIABILITIES		5,524,344	4,450,769
TOTAL LIABILITIES		9,148,376	9,084,235
Minority interest	19	4,870,120	6,744,120
Shareholders' equity, see attached statement	20	12,781,338	9,565,759
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		26,799,834	25,394,114
Memorandum accounts	22	1,515,956	(3,621,389)

The accompanying notes are an integral part of the financial statements


José Alberto Vélez C.
Legal Representative
(See attached certification)


Ligia Amparo Franco L.
Accounting Manager
T.P. 13072 - T
(See attached certification)



Olga Liliana Cabrales P.
Statutory Auditor
T.P. 92873 - T
Designated by Deloitte & Touche Ltda.
(See attached report)

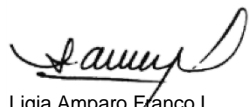
Grupo Argos S.A.


Consolidated Income Statement
Years ended December 31st
(Millions of Colombian pesos, except net profit per share)

	Notes	2012	2011
Operating income	23	6.681.155	5.786.283
Cost of sales		(4.900.511)	(4.092.232)
GROSS INCOME		1.780.644	1.694.051
Operating expenses			
Administration expenses	24	517.076	396.638
Sales expenses	25	175.121	134.722
TOTAL OPERATING EXPENSES		692.197	531.360
OPERATING INCOME BEFORE ASSETS IMPAIRMENT		1.088.447	1.162.691
Impairment of assets	10	-	74.460
OPERATING INCOME AFTER ASSETS IMPAIRMENT		1.088.447	1.088.231
OTHER NON-OPERATING INCOME (EXPENSES)			
Financial income		49.526	41.956
Dividends and equity participation		42.673	79.706
Financial expenses		(471.927)	(398.633)
Foreign exchange difference	26	18.056	(33.875)
Other income	27	464.091	266.296
Other expenses	28	(298.003)	(645.432)
INCOME BEFORE INCOME TAX AND MINORITY INTEREST		892.863	398.249
Income tax provision	15	(163.606)	(163.084)
INCOME BEFORE MINORITY INTEREST		729.257	235.165
Minority interests		(385.319)	(81.508)
CONSOLIDATED NET INCOME		343.938	153.657
Net income per share		465,75	238,08

The accompanying notes are an integral part of the financial statements


José Alberto Vélez C.
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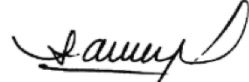
Grupo Argos S.A.


Consolidated Statement of Changes in Equity
Years ended December 31st
(Millions of Colombian pesos)

	Share Capital	Additional Paid – in Capital	Legal reserve	Reserve for future expansion and investments	Statutory reserve	Other reserves	Total reserves	Shareholders' equity revaluation	Retained earnings	Income for the period	Asset revaluation surplus	Total shareholders' equity
BALANCES AT DECEMBER 31, 2010	40.694	553	20.347	1.510.118	-	5.988	1.536.453	648.880	-	388.333	7.766.001	10.380.914
Transfer retained earnings	-	-	-	-	-	-	-	-	388.333	(388.333)	-	-
Dividends issued in cash at \$200 per year per share	-	-	-	-	-	-	-	-	(129.080)	-	-	(129.080)
Other reserve movements	-	-	-	(486.323)	-	-	(486.323)	-	-	-	-	(486.323)
Changes due to conversion of financial statements	-	-	-	-	-	-	-	152.843	-	-	-	152.843
Appropriated amounts for reserve for future expansion	-	-	-	259.253	-	-	259.253	-	(259.253)	-	-	-
Equity tax	-	-	-	-	-	-	-	(156.653)	-	-	-	(156.653)
Income for the period	-	-	-	-	-	-	-	-	-	153.657	-	153.657
Valuation adjustment	-	-	-	-	-	-	-	-	-	-	(349.599)	(349.599)
BALANCES AT DECEMBER 31, 2011	40.694	553	20.347	1.283.048	-	5.988	1.309.383	645.070	-	153.657	7.416.402	9.565.759
Transfer to retained earnings	-	-	-	-	-	-	-	-	153.657	(153.657)	-	-
Dividends issued in cash at \$212 per year per share	-	-	-	-	-	-	-	-	(166.040)	-	-	(166.040)
Appropriations approved by the Shareholders' General Meeting	-	-	-	(91.383)	79.000	-	(12.383)	-	12.383	-	-	-
Issuance of preferred shares	8.613	26.531	-	-	-	-	-	-	-	-	-	35.144
Effect of the spin-off by absorption	-	-	9.318	163.427	-	427	173.172	145.361	-	-	1.974.199	2.292.732
Conversion of mandatory convertible bonds into preferred shares	2	750	-	-	-	-	-	-	-	-	-	752
Dividends for mandatory convertible bonds conversion	-	-	-	-	(2)	-	(2)	-	-	-	-	(2)
Unrealized gains	-	-	-	(575.418)	-	-	(575.418)	(2)	-	-	-	(575.420)
Income for the period	-	-	-	-	-	-	-	-	-	343.938	-	343.938
Valuation adjustment	-	-	-	-	-	-	-	-	-	-	1.284.475	1.284.475
BALANCES AT DECEMBER 31, 2012	49.309	27.834	29.665	779.674	78.998	6.415	894.752	790.429	-	343.938	10.675.076	12.781.338

The accompanying notes are an integral part of the financial statements


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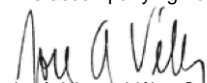

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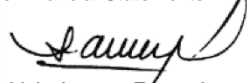
Grupo Argos S.A.

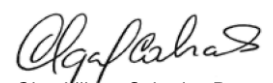
Consolidated Statement of changes in financial position
Years ended December 31
(Millions of Colombian pesos)

	2012	2011
FINANCIAL RESOURCES PROVIDED BY:		
Net consolidated income	343.938	153.657
Add (less) debit(credit) to income not affecting working capital:		
Proceeds from minority interests	385.319	81.508
Depreciation of property, plant and equipment	417.467	352.009
Amortization of deferred charges and other charges	109.629	205.792
Assets Impairment	-	74.460
Write-off of intangible assets	-	96.799
Proceeds from the sale of property, plant and equipment	(6.734)	(3.403)
Proceeds from the sale of long-term and negotiable investments, net	(286.074)	(353.057)
Proceeds from the sale of other assets	(2.565)	-
Loss from the sale or disposal of property, plant and equipment	5.176	13.803
Loss from disposal of other assets	3.778	-
Provision for property, plant and equipment	3.142	-
Provision for intangible assets	-	57.997
Provision recovery on investment	(1.526)	-
Net effect of accounting write-off of long-term assets and liabilities related to the power supply contract entered into with Termovale S.C.A. E.S.P.	3.056	-
Foreign exchange difference of long term financial obligations and accounts payable	(104.663)	59.059
Amortization of premium on bonds payable	1.642	1.642
Amortization of retirement pensions	-	26.795
WORKING CAPITAL PROVIDED	871.585	767.061
FINANCIAL RESOURCES FROM OTHER SOURCES:		
Proceeds on sale of property, plant and equipment	25.989	24.150
Proceeds on sale of long-term investments	364.322	496.662
Increase in long-term labor obligations	6.113	3.905
Increasing long-term taxes	-	93.080
Increase in bonds payable	1.000.000	-
Proceeds from issue of bonds obligatorily redeemable preference shares	750.000	-
Issuance of preference shares -Mandatory onvertible Bonds	752	-
Decrease in long-term inventories	-	7.816
Decrease in other long-term assets	5.763	44.763
TOTAL FINANCIAL RESOURCES PROVIDED	3.024.524	1.437.437
FINANCIAL RESOURCES WERE USED FOR:		
Acquisition of property, plant and equipment	392.268	491.839
Acquisition of permanent investments	38.743	384.690
Dividends issued	166.040	129.080
Mandatory convertible Bonds into Preferred shares	752	-
Decrease in long-term financial obligations	286.090	252.730
Decrease in long-term accounts payable	35.265	25.410
Transfer of short-term bonds payable	77.200	224.002
Decrease in long-term deferred liabilities	40.426	66.712
Decrease in long-term taxes	46.157	-
Increase in long-term receivables	29.152	18.147
Increase in long-term inventories	9.707	-
Increase in deferred intangible assets	116.216	187.755
Net increase in property, plant and equipment for incorporation of companies	-	1.349.042
Payment of equity tax	-	156.653
Decrease in minority interests and other equity items	250.279	41.632
TOTAL FINANCIAL RESOURCES USED	1.488.295	3.327.692
INCREASE (DECREASE) IN WORKING CAPITAL	1.536.229	(1.890.255)
CHANGES IN WORKING CAPITAL COMPONENTS		
Cash and temporary investments	485.484	(78.743)
Receivables, net	(42.413)	210.334
Inventories, net	69.542	99.567
Prepaid expenses	14.182	11.537
Financial obligations	943.543	(1.585.211)
Securities	(970)	50.970
Bonds payable	147.549	(225.320)
Suppliers and accounts payable	113.339	(163.940)
Taxes, Levies and rates	14.603	(68.418)
Labor obligations	30.052	(51.598)
Other liabilities	(238.682)	(89.433)
INCREASE (DECREASE) IN WORKING CAPITAL	1.536.229	(1.890.255)

The accompanying notes are an integral part of the Financial Statements.


José Alberto Vélez C.
Legal Representative
(See attached certification)


Ligia Amparo Franco L.
Accounting Manager
T.P. 13072 - T
(See attached certification)

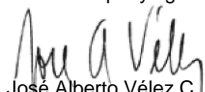

Olga Liliana Cabrales P.
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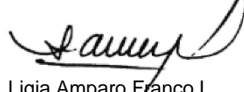
Grupo Argos S.A.


Consolidated Cash Flow Statement
Years ended December 31
(Millions of Colombian pesos)

	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	343.938	153.657
Adjustment to reconcile net income with net cash provided by operating activities:		
Proceeds from minority interests	385.319	81.508
Dividends receivable	(26.016)	(23.696)
Provision for receivables	11.572	6.393
Provision for inventories	3.097	2.138
Depreciation of property, plant and equipment	417.467	352.009
Amortization of deferred charges and other charges	109.629	205.792
Asset impairment	-	74.460
Write-off of intangible assets	-	96.799
Net proceeds from sales of property, plant and equipment	(6.734)	(3.403)
Net proceeds from sales of permanent and negotiable investments	(286.074)	(353.057)
Proceeds from sales of other assets	(2.565)	-
Loss from sales or disposal of property, plant and equipment	5.176	13.803
Loss from disposal of other assets	3.778	-
Provision for property, plant and equipment	3.142	-
Provision for intangible assets	-	57.997
Provision recovery on investment	(1.526)	-
Net effect of accounting write-off of long-term assets and liabilities related to the power supply contract entered into with Termovalle S.C.A. E.S.P.	3.056	-
Foreign exchange difference of long-term financial liabilities and accounts payables	(104.663)	59.059
Amortization of premium of bond issuance	1.642	1.642
Amortization of retirement pensions	-	26.795
OPERATING CASH FLOW SUBTOTAL	860.238	751.896
CHANGES IN OPERATING ASSETS AND LIABILITIES		
Receivables	27.705	(211.178)
Inventories	(82.346)	(93.889)
Prepaid expenses	(14.182)	(11.537)
Suppliers on accounts payable	20.218	163.940
Labor obligations	(23.939)	55.503
Taxes, levies and contributions	(60.760)	161.498
Other liabilities	105.125	89.433
Deferred liabilities	(40.426)	(66.712)
NET CASH PROVIDED BY OPERATING ACTIVITIES	791.633	838.954
CASH FLOW FROM INVESTMENTS:		
Proceeds on sale of property, plant and equipment	25.989	24.150
Proceeds on sale of long-term and negotiable investments	364.322	496.662
Acquisition of property, plant and equipment	(392.268)	(491.839)
Acquisition of long-term investments	(38.743)	(384.690)
Net increase of property, plant and equipment for incorporation of companies	-	(1.349.042)
Increase in deferred charges and intangible assets	(116.216)	(187.755)
Decrease in other assets	5.763	44.763
NET CASH USED IN INVESTMENT ACTIVITIES	(151.153)	(1.847.751)
CASH FLOW FROM FINANCING ACTIVITIES:		
Dividends issued	(166.040)	(129.080)
(Decrease) increase in financial liabilities	(1.229.633)	1.332.481
Payment of commercial papers	(199.030)	(50.970)
Bond issuance	1.000.000	1.318
Payment of outstanding bonds	(224.749)	-
Issuance of commercial papers	200.000	-
Decrease in long-term accounts payable	(35.265)	(25.410)
Issuance of bonds obligatorily convertible into shares	750.000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	95.283	1.128.339
NET INCREASE IN CASH AND CASH EQUIVALENT	735.763	119.542
ITEMS NOT AFFECTING CASH		
Variation in non-controlling interests	(250.279)	(41.632)
Mandatory convertible bonds conversion	(752)	-
Issuance of preference shares	752	-
Equity tax	-	(156.653)
Cash and cash equivalents at beginning of year	982.571	1.061.314
CASH AND CASH EQUIVALENTS AT YEAR-END	1.468.055	982.571
CASH EQUIVALENT		
Cash	846.894	501.485
Negotiable investments	621.161	481.086
CASH AND CASH EQUIVALENT	1.468.055	982.571

The accompanying notes are an integral part of the Financial Statements


José Alberto Vélez C.
Legal Representative
(see attached certification)


Ligia Amparo Franco L.
Accounting Manager
T.P. 13072 - T
(see attached certification)


Olga Liliana Cabrales P.
Statutory Auditor
T.P. 92873 - T
Designated by Deloitte & Touche Ltda.
(See attached report)

Certification by the

Legal Representative of the Company

Medellin, February 22, 2013

To the Shareholders of Grupo Argos S.A. and to the general public:

In my capacity as Legal Representative I certify that the consolidated financial statements as of December 31, 2012 that have been made available to the public are free from inaccuracy, misstatement or material error that prevent from knowing the true economic position or the operations carried out by Grupo Argos S.A. during the relevant period.



José Alberto Vélez C.
Legal Representative

Certification by the Legal Representative and the Accounting Director of the Company

Medellin, February 22, 2013

The shareholders of Grupo Argos S.A

The undersigned Legal Representative and Corporate Accounting Manager of Grupo Argos S.A. do hereby certify that the financial statements of the Company as of December 31, 2012 and 2011 have been fairly taken from the books and that prior to be made available to you and to third parties we have verified the following statements therein contained:

- a) All assets and liabilities included in the Company's financial statements as of December 31, 2012 and 2011 exist, and all transactions included in such statements have been carried out during the years ended on such dates.
- b) All economic activities undergone by the Company during the years ended December 31, 2012 and 2011 have been recognized in the financial statements
- c) Assets represent potential future economic benefits (rights) and liabilities represent potential future economic commitments (liabilities), obtained or due by the Company as of December 31, 2012 and 2011.
- d) All items have been recognized by their proper values pursuant to accounting principles generally accepted in Colombia.
- e) All economic events affecting the Company have been duly classified, described and disclosed in the financial statements



José Alberto Vélez C.
Legal Representative
(See attached certification)



Ligia Amparo Franco L.
Accounting manager
T.P. 13072 - T
(See attached certification)



Statutory Auditor's Report

To the shareholders of

GRUPO ARGOS S.A. (formerly Inversiones Argos S.A.):

I have audited the consolidated balance sheets of GRUPO ARGOS S.A. and its subordinates, as of December 31, 2012 and 2011 and the accompanying consolidated statements of income, changes in equity, changes in financial position and cash flows for the years then ended, and the summary of the major accounting policies and other explanatory notes.

Management is responsible for the preparation and accurate presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Colombia. This responsibility includes: designing, implementing and maintaining an adequate internal control system for the preparation and presentation of financial statements 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.

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I obtained the information necessary to comply with my duties and carry out my audit in accordance with auditing standards generally accepted in Colombia. Such standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements. An audit of financial statements involves examining, on a selective basis, the evidence supporting the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risk of material misstatements in the consolidated financial statements. In making that risk assessment, the auditor considers the Company's internal control relevant to the preparation and reasonable presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. I believe that my audits provide a reasonable basis to express my opinion.

As of December 31, 2012 and 2011, GRUPO ARGOS S.A. has direct and indirect investments in companies audited by other auditors, consolidated under the global integration method, according to the financial statements of those companies as of that date, which represent 3% of the assets and 5% and 7% of the total consolidated income, respectively.

In my opinion, based on my audits and on that of other auditors, the consolidated financial statements referred to above, reasonably present, in all material respects, the consolidated financial situation of GRUPO ARGOS S.A. and its subordinates as of December 31, 2012 and 2011, and the results of its operations, the changes in its equity, the changes in its financial position, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Colombia, applied uniformly.

As mentioned in Note 1 to the consolidated financial statements, on May 30, 2012, Grupo Argos S.A. increase its equity in COP\$2.3 trillion due to the spin-off of its subsidiary Cementos Argos S.A.

These consolidated financial statements and notes to the consolidated financial statements were translated into English, from statements originally issued in Spanish, for the convenience of readers. All amounts are stated in millions of Colombian Pesos (COP\$). The consolidated financial statements are presented on the basis of accounting principles generally accepted in Colombia. Certain accounting principles applied by the Company that conform to the generally accepted accounting principles applied in Colombia may not conform to generally accepted accounting principles applied in other countries.



OLGA LILIANA CABRALES PINTO

Statutory Auditor

T.P. 92873 - T

Designated by Deloitte & Touche Ltda.

February 22, 2013

Notes to the consolidated financial statements

Grupo Argos S.A.

AS OF DECEMBER 31, 2012 AND 2011

(Millions of Colombian pesos, except as otherwise provided herein)

Note 1 – Reporting entity

Grupo Argos S.A. (formerly Inversiones Argos S.A.) was incorporated under the laws of Colombia on February 27, 1934 (hereinafter “the Company”).

The Company's corporate purpose is to invest in all types of goods, chattels assets and real estate property, especially in shares, stocks or parts of interest or any other equity securities, in companies, entities, organizations, funds or any other lawful form that allows investment of funds. Also, the Company may invest in securities or in listed or non-listed variable and fixed income. In any case, issuers and/or receivers of the investment may be domestic or foreign organizations of public, private or mixed nature.

The Company may create civil or commercial companies of any nature, or participate as partner in formerly established companies. The partnership permitted by this clause include companies whose corporate purpose is different from the Company's corporate purpose, provided it is convenient to its interests.

Additionally, the Company has enough capacity to carry out activities related to the exploitation of the cement industry; the production of concrete mixtures and any other products or items made of cement, lime or clay; the acquisition or disposal of minerals or mineral deposits usable in the cement industry and the like; rights to explore and exploit the aforementioned minerals, either by concession, privilege, leasing or otherwise; the provision of port services; acting as contractor, constructor, consultant, technical auditor, designer or planner of civil works before any and all public or private entities

Establishment of factories, stores and agencies, for the production, storage, distribution, and sale of its products and the acquisition, exploitation and disposal of raw materials, machinery and items inherent in the performance of its corporate purpose or that foster its development.

The Company registered in Medellin. The duration of the Company is until February 27, 2033. Its corporate name was changed to Grupo Argos S.A. through public deed No. 2952 of June 20, 2012,

The spin-off by absorption was formalized through public deed No. 2503 registered with the Chamber of Commerce of Medellin on May 30, 2012. As a result of the spin-off, Grupo Argos S.A. received from Cementos Argos S.A. the net assets related to real estate, ports and coal businesses, and issued 137,802,657 non-voting preferred shares in favor of the shareholders of Cementos Argos S.A. different from Grupo Argos S.A. prior approval by the General Meeting of Shareholders on November 24, 2011 and by the Superintendence of Finance pursuant to Resolution 616 of April 26, 2012. The effect of this transaction was an increase in net equity of \$2.3 trillion pesos, with the participation in non-controlling interests declining by the same amount.

The following are the companies included in the consolidated financial statements of Grupo Argos S.A.

Alianza Progenética S.A.S.

A company incorporated under the laws of Colombia on July 8, 2004. It is registered in Medellin with indefinite duration. Its corporate purpose is the rendering of any type of veterinary services; the production, import, export and distribution of in-vitro embryos of purebred or mixed breed animals, as well as embryo freezing by different techniques: ethylene glycol, glycerol or vitrification. Sexing in-vitro produced embryos and fetuses by means of ultrasound.

American Cement Terminals LLC

A company incorporated under the laws of the State of Delaware (United States) on September 20, 2007; its main purpose is to invest and the term of duration is indefinite.

Argos U.S.A. Corp.

A company incorporated under the laws of the State of Delaware (United States) on December 19, 2006; it is registered in Houston (Texas). Its corporate purpose is the development of lawful activities involving investments in the cement, concrete and related products sectors. The term of duration is indefinite. This company is consolidated with Southern Star Concrete Inc., Southern Star Leasing LLC, Piazza Acquisition Corp., RMCC Group Inc., Southern Equipment Company Inc., Gulf Coast Cement LLC, Savannah Cement Company LLC, South Central Cement Ltd., Central Aggregates LLC, Consort Livestock Inc., Argos Cement LLC and Argos Ready Mix LLC., Piazza Properties LLC, Palmetto Leasing Company and Metro Products and Construction Inc.

C.I. del Mar Caribe BVI Inc.

A company incorporated under the laws of the British Virgin Islands on June 2, 2004; it is registered in Tortola and its corporate purpose is the commercialization of cement, clinker and lime. Its term of duration according to the laws of that country is indefinite.

Canteras de Colombia S.A.S.

A company incorporated under the laws of Colombia on November 9, 1979; it is registered in Medellin and its term of duration is indefinite. Its corporate purpose is the exploration, exploitation, transformation, milling, integral use, marketing and sale of stony minerals such as sand, gravel and any other materials and elements incidental and supplementary used in the construction industry; and in general, carrying out any and all activities related to mining, marketing and sale of renewable and nonrenewable natural resources as well as any lawful economic activity both in Colombia and abroad.

Carbones del Caribe S.A.S.

A company incorporated under the laws of Colombia on October 28, 1981; it is registered in Medellin and its term of duration is indefinite. Its corporate purpose is the prospecting, exploration, exploitation, production, processing, transformation, acquisition, sale, marketing and transportation of coal and other coal-related minerals, and the import, export, marketing and supply of raw materials, supplies, equipment and machinery needed for mining coal and other minerals.

Caricement Antilles NV

This is a limited liability partnership incorporated under the laws of the Netherlands Antilles on December 10, 1999. Its main corporate purpose is to invest. It is registered in Curacao and the term of duration is indefinite. This company is consolidated with Caricement USVI Corp., Caribbean Construction and Development Ltd., Caricement Antigua Limited and Caricement Saint Maarten NV.

Celsia S.A. E.S.P. (formerly Compañía Colombiana de Inversiones S.A. E.S.P.)

A company incorporated under the laws of Colombia on October 4, 2001. It is registered in Medellin. Its corporate purpose is the generation, marketing and provision of electric power and complementary services. Its term of duration is indefinite. This company is consolidated with Zona Franca Celsia S.A. E.S.P., Colener S.A.S., Empresa de Energía del Pacífico S.A. E.S.P. - EPSA S.A. E.S.P., Compañía de Electricidad de Tuluá S.A. E.S.P. - CETSA S.A. E.S.P. In 2012, the company changed its corporate name "Compañía Colombiana de Inversiones S.A. E.S.P" to Celsia S.A. E.S.P.

Cement and Mining Engineering Inc.

A company incorporated under the laws of Panama on February 4, 1997; it is registered in Panama City; its main corporate purpose is the construction, technical assistance, installation and setup of equipment, purchase, sales and administration of real estate and chattels, investments, funding and participation in companies, purchase or acquisition of patents, brands, copyright, licenses and formulas, carrying out operations with banks or other financial institutions. Also, the purchase and sale of shares, securities or bonds, funding and participation in companies, mining businesses, shipping and any other lawful business permitted by the laws of the Republic of Panama. Its term of duration is indefinite

Cemento Panamá S.A.

A stock corporation incorporated under the laws of the Republic of Panama on June 25, 1943; its corporate purpose is the manufacture, sale, import and export of cement and its derivatives, as well as importing all types of raw materials, machinery, equipment and spare parts for the manufacture and sale of cement. It is registered Panama City, Republic of Panama, and the term of duration is indefinite. This company is consolidated with Grava S.A., Concreto S.A., Terminal Granelera Bahía Las Minas S.A., Comercializadora Incem S.A., Extracción Arci-Cal S.A., Inversiones e Inmobiliaria Tocumen S.A., Arenas del Golfo S.A., Canteras Nacionales Centrales S.A. and Canteras Nacionales Chiriquí S.A.. and Agropecuaria Panamá Este S.A.

Cementos Argos S.A.

Cementos Argos S.A. is a commercial company incorporated under the laws of Colombia on August 14, 1944. Its corporate purpose is the exploitation of the cement industry, the production of concrete mixtures and other products or articles made of cement, lime or clay; the acquisition and disposal of minerals or mineral deposits usable in the cement industry and the like, rights to explore and exploit the mentioned minerals, either by concession, privilege, leasing or otherwise; the provision of port services; acting as contractor, constructor, consultant, technical auditor, designer or planner of civil works or other works, before any and all public and private entities. It is registered in Barranquilla and the life span of the Company expires on August 14, 2060.

Cementos Colón S.A.

A stock company incorporated under the laws of the Dominican Republic on February 12, 1996; its main corporate purpose is the manufacture, marketing import and export of clinker and cement; the exploitation and marketing of minerals used and related to the cement industry. It is registered in Santo Domingo and the term of duration is indefinite. This company is consolidated with Compañía de Electricidad de Najayo S.A. It merged with Cementos Colón S.A. It joined the consolidated Concretos Argos Dominicanos, S.R.L.

Colcaribe Holdings S.A.

A company incorporated under the laws of Panama on June 25, 1996; it is registered in Panama City; Its corporate purpose is to negotiate or dispose of securities, bonds, participations in other companies and rights of all types, either on its own or on behalf of third parties as well as to open, operate and close accounts and deposits with financial institutions, lend or borrow monies and offer guarantees in favor of third parties in any currency in the world. Its term of duration is indefinite.

Comercial Arvenco C.A.

A company incorporated in Caracas (Venezuela) on November 2, 2006; it has a life span of 50 years as from such date. It is registered in Barquisimeto, state of Lara (Venezuela). Its corporate purpose is the exploitation of businesses and activities related to the import, export, transportation, purchase and sale of all types of commodities and products, metallic minerals, cement, clinker, coal, equipment, artifacts, vehicles, machinery, tools, spare parts, accessories as well as to carry out any act of lawful trade.

Compañía de Puertos Asociados S.A. – COMPAS S.A.

A stock Company incorporated under the laws of Colombia on February 12, 1992. Its main corporate purpose is the exploitation of the port business in Colombia and abroad, the management and stewardship of companies of any nature and participation as an industrial partner. It is registered in Bogota and the duration of the company is until December 1, 2111. In 2012, as a result of a merger process, the company absorbed Sociedad Portuaria de Cementeras Asociadas S.A., Sociedad Portuaria Golfo de Morrosquillo S.A., Sociedad Portuaria La Inmaculada S.A. and Sociedad Portuaria Las Flores S.A.

Concretos Argos S.A.

A stock corporation incorporated under the laws of Colombia on April 22, 1985; its main corporate purpose is the exploration, exploitation, transportation, benefit, integral use, marketing and sales of stony minerals such as sand, gravel, pre-mixed concrete and pre-fabricated concrete elements, concrete blocks and any materials and elements used in the construction industry and elements that are supplementary or ancillary thereto. It is registered in Bogotá and its life span is until September 8, 2093.

Corporaciones e Inversiones del Mar Caribe S.A.S.

A company incorporated under the laws of Colombia on December 14, 1982. Its main business place is Medellin and the term of duration is indefinite. The corporate purpose of the company is to carry out any lawful economic activity, both in Colombia and abroad. Currently it is engaged in investments in shares and unit trusts.

Ganadería Río Grande S.A.S.

A company incorporated under the laws of Colombia on September 8, 2006; it is registered in Medellin and its duration is indefinite. Its main corporate purpose is the exploitation of the agricultural and livestock industries. In addition, the company may carry out any other lawful economic activity, both in Colombia and abroad.

Haiti Cement Holding S.A.

A stock corporation incorporated in Panama City, Republic of Panama on October 7, 1997. It is registered in Panama City. Its main corporate purpose is the acquisition, purchase, investment in securities, bonds, shares participations in other companies as well as any other lawful business allowed by the laws of the Republic of Panama. The life span of the company is indefinite. This company is consolidated with Cimenterie Nationale S.E.M. (CINA).

Internacional Ejecutiva de Aviación S.A.S.

A company incorporated under the laws of Colombia on October 17, 1991. It is registered in Medellin and its duration is indefinite. The main corporate purpose of the company is the provision of non-regular public air transport services for passengers, mail and cargo, including domestic and international chartered flights in accordance with current regulations and international civil aviation agreements.

International Cement Company S.A.

A company incorporated under the laws of Panama on November 24, 1997; it is registered in Panama City. Its corporate purpose is to acquire, possess, manage, impose liens, lease, transfer and dispose of all kinds of goods, on its own or on behalf of third parties. Its duration according to the laws of that country is indefinite.

Inversiones El Duero S.A.S.

A company incorporated under the laws of Colombia on March 31, 2009. It is registered in Medellin and its duration is indefinite. Its corporate purpose is to carry out any lawful economic activity in Colombia and abroad. Currently, it is engaged in investments in domestic corporations.

Inversiones FortCorp S.A.S.

A corporation incorporated under the laws of Colombia on February 13, 2012. It is registered in Bogota and its term of duration is indefinite. The corporate purpose of the company is to carry out any lawful economic activity in Colombia and abroad. Therefore, the company may, among other things, act as contractor, constructor, consultant, technical auditor, designer or planner of civil works or other works, before any public or private entity.

Inversiones RoundCorp S.A.S.

A corporation incorporated under the laws of Colombia on February 20, 2012. It is registered in Medellin and its term of duration is indefinite. The corporate purpose of the company is to carry out any lawful economic activity in Colombia and abroad. Therefore, the Company may, among other things, act as contractor, constructor, consultant, technical auditor, designer or planner of civil works or other works, before any public or private entity.

Logística de Transporte S.A.

A corporation incorporated under the laws of Colombia law on April 16, 1996; it is registered in Medellin. Its corporate purpose is the ground, air, fluvial or maritime transportation of persons and all types of cargo inside and outside the country, using vehicles, ships or aircrafts of its own or of third related parties. The duration of the Company expires on April 16, 2026.

Marítima de Graneles S.A.

A corporation incorporated under the laws of Panama on December 29, 1978, having its main place of business in Panama City and indefinite duration. Its main corporate purpose is the maritime transportation especially of cement and clinker and the purchase and sale of these same products, charter of vessels and particularly the provisioning thereof.

Merger Link Corp.

A corporation incorporated under the laws of British Virgin Islands on September 5, 2012. It is registered in Road Town, Tortola, British Virgin Islands. Its main corporate purpose is to invest in any economic sector.

Point Corp.

A company incorporated under the laws of the British Virgin Islands on February 20, 2001; it is registered in Town Road in Tortola, British Virgin Islands and its corporate purpose is the sale, purchase and assignment of shares; purchase, enter into loan and rental agreements for real estate purposes and carry out all activities allowed to it leading to the achievement of the goals of the company. Its duration is indefinite. In January 2012 this company was absorbed by Valle Cement Investments LTD.

Port Royal Cement Company, LLC

A company incorporated under the laws of the State of Delaware (United States) on March 10 1998 and later acquired by American Cement Terminals, LLC on December 31, 2001; its corporate purpose is the marketing of cement and related products. Its life span is indefinite.

Reforestadora del Caribe S.A.S.

A company incorporated under the laws of Colombia on February 14, 1983; it is registered in Medellin and its duration is indefinite; its corporate purpose is to carry out any lawful economic activity, both in Colombia and abroad. It is currently engaged in the implementation, operation and administration of forestry and agro-forestry projects.

Sociedad Portuaria de Cementeras Asociadas S.A.

A company incorporated under the laws of Colombia on August 6, 1993; its registered office is in Buenaventura; its main corporate purpose is the construction, operation, management and maintenance of ports and port terminals, carrying out landfills, dredging and civil and ocean engineering works and in general, all works to be carried out in ports and port terminals, piers and constructions on beaches and adjunct land. Its duration goes to August 6, 2043. In 2012, the company was absorbed by Compañía de Puertos Asociados S.A. – COMPAS S.A.

Sociedad Portuaria Golfo de Morrosquillo S.A.

A company incorporated under the laws of Colombia on October 31, 1995; its main corporate purpose is the investment in construction and management of ports and maritime and fluvial piers. It is registered in Sincelejo and its life span goes to October 31, 2045. In 2012, the company was absorbed by Compañía de Puertos Asociados S.A. – COMPAS S.A.

Sociedad Portuaria La Inmaculada S.A.

A company incorporated under the laws of Colombia on October 10, 2000; its corporate purpose is the investment in construction and management of ports and maritime and fluvial piers. It is registered in Barranquilla and its duration expires on October 10, 2050. In 2012, the company was absorbed by Compañía de Puertos Asociados S.A. – COMPAS S.A.

Sociedad Portuaria Las Flores S.A.

A company incorporated under the laws of Colombia on May 22, 2002; its corporate purpose is the investment in construction and management of ports and maritime and fluvial piers. It is registered in Barranquilla and its duration expires on May 22, 2052. In 2012, and as a result of a merger process, the company was absorbed by Compañía de Puertos Asociados S.A. – COMPAS S.A.

Surcol Houdstermaatschappij N.V. (formerly Alexios N.V.)

A company incorporated under the laws of Suriname on March 1, 2006. Its term of duration is indefinite. Its main corporate purpose is investments. The main place of business of the company is Paramaribo, Suriname. This company is consolidated with Vensur N.V. In 2012 the company changed its corporate name to Surcol Houdstermaatschappij N.V.

Transatlantic Cement Carriers Inc.

A company incorporated under the laws of Panama on July 26, 1974; its registered Panama City and its life span is indefinite. Its corporate purpose is international maritime transportation particularly of cement, clinker and the purchase and sale of these same products.

Transatlantic Shipmanagement LTD.

A company incorporated in the British Virgin Islands on June 3, 2004. It is registered in Road Town, Tortola (British Virgin Islands). Its main activity is the international maritime transportation and to this end it can, among other things, rent, charter or own ships and transport third parties' cargo aboard ships belonging to others as well as carry out any lawful activity under the laws of the British Virgin Islands. This company is consolidated with Somerset Shipping Co. Ltd., Winterset Shipping Co. Ltd. and Dorset Shipping Co. Ltd.

Urbanizadora Villa Santos S.A.S.

A company incorporated under the laws of Colombia on June 18, 1974. It is registered in Barranquilla and the term of duration is indefinite. Its corporate purpose is to carry out any lawful economic activity in Colombia and abroad.

Valle Cement Investments LTD.

A company incorporated under the laws of the British Virgin Islands on November 18, 1998; it is registered in the British Virgin Islands and its corporate purpose is to invest of any type of securities. Currently, it is engaged in investments in shares, equity stakes and other types of securities. In 2012, this company absorbed Point Corp.

Venezuela Ports Company S.A.

A company incorporated in Panama City, Republic of Panama on February 26, 2002. It is registered in Panama City. Its main purpose is the investment in concerns or projects and the negotiation, exploitation or participation in industrial, mining, marketing, commercial, real estate, maritime transportation or any other type of companies as well as any lawful business permitted under the laws of the Republic of Panama. The duration of this company is indefinite.

Zona Franca Argos S.A.S.

A company incorporated under the laws of Colombia on July 5, 2007; it is registered in Cartagena and its duration is indefinite. Its corporate purpose is the exploitation of the cement industry, the production of concrete mixes and any other materials or articles based on cement, lime or clay, the acquisition and transfer of minerals or mineral deposits to be used in the cement industry or similar industries, of rights to explore and exploit the above-mentioned minerals whether by concession, privilege, lease or by any other means; to direct, manage, supervise, promote and develop a customs free zone; to carry out any and all activities that in its condition as sole user of the customs free zone are convenient or pertinent or necessary; to carry out the following activities as port operator: loading and unloading, storage in ports, imports and exports of goods and services, freight management in general, management of container freight. In addition the company may carry out any lawful economic activity either in Colombia or abroad. In 2007, it was declared as permanent special custom free zone.

Note 2 – Basis for the presentation of consolidated financial statements

Consolidation

Companies in Colombia must prepare general purpose individual financial statements which are submitted for the consideration of the General Meeting of Shareholders and which are the basis for distribution of dividends and making other appropriations. Additionally, the Code of Commerce requires the preparation of consolidated general purpose financial statements, which are also submitted to the General Meeting of Shareholders for approval, but are not taken as the basis for distribution of dividends and appropriation of profits.

According to the rules issued by the Superintendence of Finance, consolidated financial statements include the accounts of companies as regards which any of the following conditions is met:

- a) If more than 50% of the capital belongs to the Company, either directly or through or with the help of its subsidiaries or the subsidiaries of the latter. Shares with preferred dividend and without voting rights are not computed for such purpose.
- b) If the Company and its subsidiaries hold, either jointly or severally, the right to issue the votes that make the minimum deciding majority in the Board of Directors or in the General Meeting, or have the number of votes required to elect the majority of the members of the Board, if any.
- c) If the Company, either directly or through or with its subsidiaries, exerts dominant influence on the decision of the company's administration bodies by virtue of act or contract entered into with the controlled company or its shareholders

Also, a company will be deemed subordinated, for all legal purposes, when the control is exercised by one or several individuals or corporate bodies that are not partnerships either directly or with the participation of entities where they own more than 50 percent of the capital or configure the minimum majority to make decisions or exercise dominant influence in the direction or decision-making of the entity.

Consolidated financial statements are prepared in accordance with accounting principles generally accepted in Colombia. Company's management must make estimations and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as of the date of the financial statements, and the revenues and expenses figures during the period being reported. Actual results may differ from such estimations.

For the preparation of the consolidated financial statements, the Company uses the global integration method for companies over which it has exclusive control, and the proportional integration method for companies with joint or shared control. In 2011, only the global integration method was used because the Company had exclusive control over all its subsidiaries. En 2012, the proportional integration method was used for Compañía de Puertos Asociados S.A. – COMPAS S.A. with a 50% stake interest, and the global integration method was used for the other companies. Compañía de Puertos Asociados S.A. – COMPAS S.A. is jointly controlled by the two shareholders of the company. Grupo Argos S.A. owns 50% of the capital and participates with the same percentage in the decision making-process of the Assembly and controlling bodies.

The global integration method includes the financial statements of the parent or controlling company, the assets, liabilities, net worth and results of the subordinated companies, prior elimination of the investment made by the parent or controlling company in the equity of the subsidiary, as well as the transactions and balances existing at the closing date of the consolidated financial statements. The stake of the minority shareholder is recorded in a separate item.

The proportional integration method includes the financial statements of the controlling companies, the percentage of assets, liabilities, equity and results according to the proportional share of each controlling party, prior elimination of the investment made by it in the equity of the subsidiary, as well as the transactions and balances existing at the closing date of the consolidated financial statements.

Elimination of balances and transactions between the parent company and the subsidiaries, and between subsidiaries, and the estimation of the minority interest, proportional equity value and amortization of the excess and/or shortage of the cost of the investment over book value, have been carried out pursuant to the guidelines of the Superintendence of Finance contained in Instruction (“Circular”) No. 002 of 1998, amended by Instructions No. 11 of 1998.

The financial information relevant to the subsidiaries consolidated by Grupo Argos S.A. is prepared, as far as possible, based on even criteria and accounting method; such information is taken at the close of December 31st, date set by the Company to close its operations and submit its financial statements pursuant to its Bylaws and as set forth in section 9 of Decree 2649 of 1993.

Taking into consideration that companies incorporated abroad prepare their financial statements under the International Financial Reporting Standards (IFRS) and accounting principles generally accepted in the United States of America, using a top-quality consistent set of accounting standards, and given that such structure of principles is deemed appropriate as a source of accounting technical reference in Colombia, such subsidiaries should not substantially adjust their financial statements, except for differences that may run counter to the principle of substance above legal form.

Below is a detail of the assets, liabilities, shareholders' equity and fiscal year results for each of the companies included in the consolidation:

2012

COMPANIES	TOTAL PARTICIPATION	ASSETS	LIABILITIES	SHAREHOLDERS' EQUITY	ANNUAL RESULTS
Alianza Progenética S.A.S.	60.00	1,189	352	837	(1,439)
American Cement Terminals LLC	100.00	8,717	-	8,717	(1,484)
Argos Cement LLC	100.00	1,291,159	173,422	1,117,737	(22,765)
Argos Ready Mix LLC	100.00	241,131	61,309	179,822	(16,641)
Argos USA Corp.	100.00	2,240,457	772,598	1,467,859	(151,492)
C.I. del Mar Caribe (BVI) Inc.	100.00	46,373	29,919	16,454	8,706
Canteras de Colombia S.A.S.	100.00	107,120	8,813	98,307	(325)
Carbones del Caribe S.A.S.	100.00	122,787	94,553	28,234	(38,954)
Caribbean Construction and Development Ltd.	100.00	6,602	1,291	5,311	297
Caricement Antigua Limited	100.00	5,824	1,393	4,431	(207)
Caricement Antilles NV	100.00	24,120	3,122	20,998	494
Caricement Saint Maarten NV	100.00	12,897	8,392	4,505	296
Caricement USVI Corp.	100.00	2,440	8,643	(6,203)	(892)
Celsia S.A. E.S.P. (Consolidated)	50.18	6,840,008	3,934,597	2,905,411	230,759
Cement and Mining Engineering Inc.	100.00	9,922	26,483	(16,561)	(3,504)
Cemento Panamá, S.A.	98.40	426,121	170,625	255,496	76,645
Cementos Argos S.A.	60.68	9,437,661	3,722,370	5,715,291	387,619
Cementos Colon, S.A.	80.00	57,676	11,755	45,921	12,963
Central Aggregates LLC	100.00	22,674	3,042	19,632	(57)
Cimenterie Nationale S.E.M. (CINA)	65.00	61,652	20,205	41,447	8,990
Colcaribe Holdings S.A.	100.00	176,663	36,608	140,055	(2,524)
Comercial Arvenco C.A.	100.00	2,530	2,447	83	-
Compañía de Puertos Asociados S.A. -COMPAS S.A.	50.00	432,546	153,039	279,507	3,663
Concretos Argos S.A.	100.00	657,165	299,946	357,219	22,750
Consort Livestock Inc.	100.00	-	-	-	-
Corporaciones e Inversiones del Mar Caribe S.A.S.	100.00	96,438	50,048	46,390	6,729
Dorset Shipping Co. Ltd.	50.00	1,141	1	1,140	(1)
Ganadería Río Grande S.A.S.	100.00	14,369	15,509	(1,140)	(7,191)
Gulf Coast Cement LLC	100.00	-	-	-	-
Grupo Argos S.A.	100.00	16,142,171	2,081,780	14,060,391	343,938
Haiti Cement Holding S.A.	100.00	32,251	-	32,251	5,159
Internacional Ejecutiva de Aviación S.A.S.	100.00	16,311	15,522	789	(2,615)
International Cement Company S.A.	100.00	18,961	-	18,961	(652)
Inversiones El Duero S.A.S.	100.00	188,533	411	188,122	2,638
Inversiones FortCorp S.A.S.	100.00	100,940	152	100,788	-
Inversiones RoundCorp S.A.S.	100.00	42,380	91	42,289	(91)
Logística de Transporte S.A.	99.65	49,150	13,282	35,868	5,618
Marítima de Graneles S.A.	100.00	37,217	7,322	29,895	(1,375)
Merger Link Corp.	100.00	13,861	-	13,861	(388)
Piazza Acquisition Corp.	100.00	298,752	29,129	269,623	(43,488)
Port Royal Cement Company LLC	100.00	15,351	6,634	8,717	(1,484)
Reforestadora del Caribe S.A.S.	100.00	46,597	8,756	37,841	1,580
RMCC Group Inc.	100.00	94,449	-	94,449	(32,747)
Savannah Cement Company LLC	100.00	6,886	2,444	4,442	(2,874)
Somerset Shipping Co. Ltd.	50.00	16,106	8,942	7,164	1,965
South Central Cement Ltd.	100.00	68,967	22,401	46,566	2,559
Southern Equipment Company Inc.	100.00	631,550	537,101	94,449	(32,747)
Southern Star Concrete Inc	100.00	565,305	266,872	298,433	(33,847)
Southern Star Leasing, LLC	100.00	-	-	-	-
Surcol Houdstermaatschappij N.V.	50.00	15,713	2,793	12,920	997
Transatlantic Shipmanagement Ltd.	50.00	28,714	1,173	27,541	3,311
Transatlantic Cement Carriers Inc.	100.00	60,908	10,082	50,826	(3,802)
Urbanizadora Villa Santos S.A.S.	100.00	57,414	44,800	12,614	(936)
Valle Cement Investments Limited	100.00	531,428	159,440	371,988	26,024
Venezuela Ports Company S.A.	100.00	3,118	8	3,110	1
Vensur NV	84.24	24,644	12,145	12,499	1,040
Winterset Shipping Co. Ltd.	50.00	17,416	12,647	4,769	630
Zona Franca Argos S.A.S.	100.00	1,385,076	69,623	1,315,453	20,829
		42,857,551	12,924,032	29,933,519	

2011

COMPANIES	TOTAL PARTICIPATION	ASSETS	LIABILITIES	SHAREHOLDERS' EQUITY	ANNUAL RESULTS
Alexios N.V.	50.00	11,423	951	10,472	1,155
American Cement Terminals LLC	100.00	11,189	-	11,189	(1,150)
Argos Cement LLC	100.00	1,374,877	122,336	1,252,541	(8,473)
Argos Ready Mix LLC	100.00	251,068	35,337	215,731	(3,951)
Argos USA Corp.	100.00	2,621,242	864,767	1,756,475	(176,463)
C.I. del Mar Caribe BVI Inc.	100.00	27,684	19,021	8,663	1,518
Canteras de Colombia S.A.S.	100.00	108,775	10,143	98,632	3,249
Carbones del Caribe S.A.S.	100.00	99,220	60,151	39,069	(44,013)
Caribbean Construction and Development Ltd.	100.00	7,700	1,701	5,999	202
Caricement Antigua Limited	100.00	6,841	2,125	4,716	(68)
Caricement Antilles NV	100.00	25,699	4,163	21,536	(612)
Caricement Saint Maarten NV	100.00	11,993	8,020	3,973	(285)
Caricement USVI Corp.	100.00	2,658	8,689	(6,031)	(1,097)
Cement and Mining Engineering Inc.	100.00	10,901	25,356	(14,455)	(437)
Cemento Panamá S.A.	98.40	443,307	175,757	267,550	62,581
Cementos Argos S.A.	61.40	15,760,939	4,094,504	11,666,435	369,974
Cementos Colón S.A.	80.00	51,387	6,739	44,648	16,383
Central Aggregates LLC	100.00	24,911	3,281	21,630	(85)
Cimenterie Nationale S.E.M.	65.00	61,359	17,589	43,770	6,166
Colcaribe Holdings S.A.	100.00	198,745	41,106	157,639	(1,241)
Comercial Arvenco C.A.	100.00	2,027	1,937	90	-
Celsia S. A. E.S.P. (Consolidated)	50.06	6,796,027	4,145,485	2,650,542	152,891
Concretos Argos S.A.	100.00	734,344	293,104	441,240	(11,578)
Consort Livestock Inc.	100.00	-	-	-	-
Corporaciones e Inversiones del Mar Caribe S.A.S.	100.00	161,502	78,211	83,291	(82,979)
Dorset Shipping Co. Ltd.	100.00	1,262	9	1,253	17
Ganadería Río Grande S.A.S.	100.00	12,997	10,447	2,550	(571)
Gulf Coast Cement LLC	100.00	-	-	-	-
Grupo Argos S.A.		12,005,255	1,352,504	10,652,751	153,657
Haiti Cement Holding S.A.	100.00	30,296	-	30,296	407
International Cement Company S.A.	100.00	6,562	170	6,392	(3,694)
Inversiones el Duero S.A.S.	100.00	160,573	421	160,152	2,380
Logística de Transporte S.A.	100.00	49,505	19,090	30,415	12,752
Marítima de Graneles S.A.	100.00	39,513	7,123	32,390	(331)
Piazza Acquisition Corp.	100.00	364,443	21,705	342,738	(91,049)
Point Corp.	100.00	180,692	14,667	166,025	943
Port Royal Cement Company LLC	100.00	13,326	2,137	11,189	(1,150)
Reforestadora del Caribe S.A.S.	100.00	44,555	8,309	36,246	3,775
RMCC Group Inc.	100.00	139,022	-	139,022	(57,173)
Savannah Cement Company LLC	100.00	11,970	3,982	7,988	(2,435)
Sociedad Portuaria de Cementeras Asociadas S.A.	100.00	16,471	11,673	4,798	1,043
Sociedad Portuaria Golfo de Morrosquillo S.A.	100.00	21,672	9,282	12,390	854
Sociedad Portuaria La Inmaculada S.A.	100.00	49	6	43	-
Sociedad Portuaria Las Flores S.A.	100.00	53	3	50	-
Somerset Shipping Co. Ltd.	100.00	20,200	14,442	5,758	2,296
South Central Cement Ltd.	100.00	76,510	28,200	48,310	(1,351)
Southern Equipment Company Inc.	100.00	719,429	580,407	139,022	(57,173)
Southern Star Concrete Inc	100.00	642,413	278,149	364,264	(84,424)
Southern Star Leasing, LLC	100.00	-	-	-	-
Trans Atlantic Shipmanagement Ltd.	50.00	29,904	1,387	28,517	4,845
Transatlantic Cement Carriers Inc.	100.00	59,556	9,309	50,247	(686)
Urbanizadora Villa Santos S.A.S.	100.00	61,816	48,228	13,588	6,024
Valle Cement Investments Ltd.	100.00	500,710	284,836	215,874	4,965
Venezuela Ports Company S.A.	100.00	3,425	9	3,416	(1,358)
Vensur N.V.	84.40	18,759	9,315	9,444	1,049
Winterset Shipping Co. Ltd.	100.00	21,909	17,265	4,644	1,479
Zona Franca Argos S.A.S.	100.00	1,393,966	99,787	1,294,179	7,882
		45,452,631	12,853,335	32,599,296	

In 2012, the following transactions were recorded by subsidiaries in 2012:

- The following companies were included in the consolidated financial statements: Alianza Progenética S.A.S., Compañía de Puertos Asociados S.A. (COMPAS S.A.), Internacional Ejecutiva de Aviación S.A.S., Inversiones Fortcorp S.A.S. (company created from the spin-off of Concretos Argos S.A.), Inversiones Roundcorp. S.A.S. (company created from the spin-off of Corporaciones e Inversiones del Mar Caribe S.A.S.), Concretos Argos Dominicanos S.R.L. and Merger Link Corp.
- The following companies were merged: Point Corp. with Valle Cement Investments Ltd.; Sociedad Portuaria de Cementeras Asociadas S.A., Sociedad Portuaria Golfo de Morrosquillo S.A., Sociedad Portuaria La Inmaculada S.A., and Sociedad Portuaria Las Flores S.A. with Compañía de Puertos Asociados S.A. (COMPAS S.A.), and Compañía de Electricidad de Najayo S.A. with Cementos Colón S.A.
- The following companies are currently in the process of being dissolved: Profesionales a su Servicio Ltda. en Liquidación, Asesorías y Servicios Ltda. en Liquidación, Agente Marítimos del Caribe Ltda. en Liquidación, Carbones del Caribe Ltda. en Liquidación, Transportes Elman Ltda. en Liquidación and Distribuidora de Cementos Ltda. en Liquidación.

The following companies were excluded from consolidation due to the lack of control: Corporación de Cemento Andino C.A. and its subsidiaries Andino Trading Corporation, Comercializadora Dicemento C.A. and Depoan S.A. as well as Intership Agency Venezuela C.A. and Surandina de Puertos C.A..

The result of the consolidation, with respect to the individual financial statements of Grupo Argos S.A., was an increase in assets of \$10,657,663 (2011 - \$13,388,859), an increase in liabilities of \$11,936,716 (2011 - \$14,475,851) and a decrease in shareholders' equity of \$1,279,053 (2011 - \$1,086,992).

The effect of consolidating the financial statements of the Company and its subsidiaries in 2012 was:

	Balance prior to elimination	Eliminations	Consolidated balance
Assets	42,857,551	(16,057,717)	26,799,834
Liabilities and minority interest	12,924,032	1,094,464	14,018,496
Shareholders' equity	29,933,519	(17,152,181)	12,781,338

As of December 31, 2012 and 2011 the net income of Grupo Argos S.A. and the net consolidated income were \$343,938 and \$153,657, respectively. There were no differences in any of the years.

The following is the reconciliation between the shareholders' equity of Grupo Argos S.A. and the consolidated shareholders' equity:

	2012	2011
Individual shareholders' equity	14,060,391	10,652,751
Unrealized gains on the sale of property, plant and equipment	(11,670)	(10,054)
Unrealized gains on the sale of investments	(1,267,383)	(1,057,240)
Unrealized gains on the sale of land	-	(19,698)
Consolidated shareholders' equity	12,781,338	9,565,759

Note 3 – Significant accounting policies and practices

To prepare its consolidated financial statements, the Company, by legal mandate, is required to use the Generally Accepted Accounting Principles in Colombia, as established by the Superintendence of Finance and in other regulations. Such principles may differ in some aspects from those set by other government control bodies. Some subsidiaries are required to follow the accounting principles established by Superintendence of Companies and Superintendence of Utilities.

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

Substance above legal form

The consolidated companies recognize and disclose resources and economic facts based on their substance or economic reality, and not only on the grounds of their legal form, and for this reason they apply the accounting principles in a manner that enables adequate recognition of the economic facts of each country they operate in.

Translation of financial statements

Colombian regulations do not provide a technical framework regarding acceptable translation methods, though they do indicate, given the absence of such a framework, the appropriateness of referring to the rules of a higher body. To this effect, for translation purposes, it has been decided to follow the guidelines of the International Financial Reporting Standards (IFRS), and specifically International Accounting Standard (IAS) 21: "The Effects of Changes in Foreign Exchange Rates".

In this sense, the financial statements of foreign companies whose currency is not the US dollar or any other currency tied to the US dollar are translated from the currency of the country of origin into dollars of the United States pursuant to the methodology established in IAS 21, as follows:

- Assets and liabilities are translated at the exchange rate in effect as of the closing date.
- The equity accounts are converted using the exchange rates applicable on each of the dates in which the transactions occurred. In the case where companies were not able to provide any historical information, their corresponding equity was converted at the exchange rate applicable at the closing exchange rate of December 2005.
- Income statement accounts are converted at the exchange rate in effect on the dates on which the transactions occurred. If this is not possible, the average exchange rate for each month is used.
- Differences in translation are posted in shareholders' equity through the accumulated translation differences account, which represents the differences between the translation of items in the income statement at the average exchange rate, and the translation of balance sheet items at year-end rates.

In turn, amounts denominated in United States dollars are translated into Colombian pesos at the market representative exchange rate in effect at the end of the year, as certified by the central bank.

Inflation adjustments

Decree 1536 of May 7, 2007 amended decrees 2649 and 2650, in the sense of eliminating comprehensive inflation adjustments in financial statements. The decree establishes that adjustments for inflation recorded between January of 1992 and December 31 of 2006 shall remain as part of the balances of the respective accounts.

The non-monetary balances of assets, liabilities and shareholders' equity of the public utility companies absorbed via a 2009 merger include adjustments for inflation up to December 31, 2005, due to the fact that through resolution No. SSPD - 20051300033635 of December 28, 2005, the Superintendence of Utilities eliminated the application of adjustments for inflation starting on January 1, 2006.

The balance in the shareholders' equity revaluation account (inflation adjustments) cannot be distributed until the company is dissolve or until the balance is capitalized. In the event of capitalization, it can be used to offset losses if the company incurs in cause for dissolution; but under no circumstances may it be used for reimbursements of invested capital. In the event it has a debit balance, it may be reduced against current or previous year results, subject to the regulations on profits established in the Code of Commerce.

Decree 514 of 2010 offered the option of offsetting the equity tax against this account, without affecting results. This option has been used by the companies of Grupo Argos S.A. that have sufficient balance in this account.

Negotiable and long-term investments

Superintendence of Finance regulations require that investments be classified and accounted for as follows:

- a) Investments that the Company or its subsidiaries have the serious purpose of held for their maturity or redemption, and for a period of minimum three years when the maturity date is greater or when they have no maturity date, are classified as long-term investments. These investments are recorded and valued prospectively as follows:
 - Debt investments or securities embodying debt rights (non-equity securities) with either fixed or variable rates are initially recorded at acquisition cost, and are then valued monthly based on the internal rate of return of each security calculated at the time of purchase. Any resulting adjustments are posted against the year's results.
 - Investments in variable income stocks or shares (equity securities) in non-controlled entities are recorded at cost adjusted for inflation, and adjusted to market price on a monthly basis. The resulting adjustment, either positive or negative, is posted to the revaluations account with a debit or credit to the shareholders' equity revaluations surplus account, as appropriate. The market price for securities of high or medium negotiability, as rated by the Superintendence of Finance , is established based on their average trading price in the securities markets over the latest 10 to 90 days, based on certain parameters established by these Superintendence. The market price of securities of low or minimum negotiability, or of non-listed shares, is established based on the latest financial statements published by the issuer of the security.

- b) Investments represented in easily marketable securities which the Company has the serious intent of selling within the next three years to a third party outside its own Group are classified as negotiable investments. These investments are initially recorded at cost and adjusted monthly to market value with a credit or debit against results, as appropriate. The market price is determined as indicated in the previous paragraph for each type of investment.

Subsidies and contributions

For public utility and electric power generation and commercialization companies, these are the amounts contributed by the government and users from socioeconomic levels 5 and 6, as well as business and industrial users, to subsidize users from socioeconomic levels 1, 2 and 3.

The contributions paid by power utility users are invoiced and collected by the public utility companies to be used according to special regulations currently in effect.

Subsidies and contributions are accounted for separately and in detail in the accounts payable account.

The recognition of the book values of subsidies and contributions shows a deficit between the subsidies paid and the contributions received from users from socioeconomic levels 5 and 6 and non-residential users and from the National government through the Ministry of Mines and Energy.

Allowance for doubtful debts

The allowance for doubtful debts is reviewed and updated each year by management based on an ageing analysis of overdue accounts and an assessment of the collectability of individual accounts. From time to time charges are made to the provision for amounts considered to be uncollectable.

In regulated markets, the following percentages of overdue accounts receivable are recognized as provisions, in terms of days overdue:

Days overdue	Coverage by socioeconomic level	Percentage of accounts payable provisioned
Between 180 and 360 days overdue	1, 2 and 3	40%
Over 360 days	All	100%

In markets other than the regulated market, provisions are established for 100% of balances over 360 days overdue.

Inventories

Inventories are recorded at cost or lower market value. Costs are calculated based on the average cost method. At the closing of each period an analysis is performed on obsolescence of inventories, materials and parts, and the corresponding provision is recognized in the financial statements. Starting in 2009, inventories include urban development works and land for development. All costs and taxes incurred in the preparation of lands for development are recorded as part of the cost up to the time when they are ready for sale.

Property, plant and equipment

Property, plant and equipment are recorded at cost, and when appropriate they include finance expenses and exchange rate differentials on foreign currency liabilities incurred for their acquisition up to the point when they are in usable conditions.

Property valuation taxes are recorded as a greater value of the properties.

Sales and disposals of these assets are recorded at their respective net adjusted cost. The difference between the sale price and the net adjusted cost is charged directly to the income statement.

Depreciation is calculated using the straight line method, on the inflation-adjusted cost, based on the probable useful life of the assets, as follows: between 20 and 40 years for facilities, buildings, plants and networks; between 3 and 10 years for machinery, industrial equipment and office equipment; between 5 and 10 years for vehicles and transportation equipment and computer and communications equipment; between 6 and 8 years for ships; between 50 and 100 years for civil works associated the hydraulic power generation plants and 25 years for machinery and electronic equipment associated with power generation plants.

For companies in the Caribbean the useful life for buildings and facilities is between 4 and 40 years, machinery and equipment between 3 and 35 years, furniture, vehicles and tools between 3 and 30 years.

In the United States of America, the useful life of buildings and facilities is between 20 and 40 years, transportation equipment between 5 and 10 years, machinery and equipment between 2 and 20 years, furniture and others between 3 and 5 years.

Asset repairs and maintenance are charged to the income statement, whereas improvements and additions are added to the asset's cost.

The property, plant and equipment transferred to EPSA E.S.P. by Corporación Autónoma Regional del Valle del Cauca (C.V.C) on January 1, 1995, as part of the restructuring of said entity, were recorded based on values defined by the National Government by means of resolutions of the Finance Ministry, plus subsequent comprehensive inflation adjustments up to December of 2005.

In the Caribbean and the United States, the companies reassess the value of income-generating assets whenever changes or circumstances indicate possible losses due to impairment, based on the future cash flow of the assets. This assessment is performed each year prior to the financial closing date.

Impairment is defined as a book value that is greater than the reasonable or recoverable value of assets, classified as a cash-generating unit. Losses due to impairment are posted against results.

Deferred charges

This account includes prepaid expenses and deferred charges. Prepaid expenses mainly include insurance premiums, which are amortized using the straight line method over a 12-month period.

Deferred charges include costs incurred during a project's organization, construction, installation, assembly and start-up stages, and include the costs involved in the construction, installation and start-up of hydro-electric power plants. In the case of power companies, deferred charges are amortized over the time period estimated for their recovery in the feasibility study, or over the duration of the specific project they were incurred for, whichever is lowest.

They also include computer software, deferred income tax, organization and pre-operational expenses, improvements to third-party property and automation projects, which are amortized using the straight line method over a period of between 3 and 5 years.

Intangible Assets

Intangible assets are carried at acquisition cost and represent the value of certain rights such as trademarks, goodwill, exploitation rights (concessions and franchises), among others. They are amortized using the straight line method.

In Colombia the amortization period for trademarks is 20 years. In the United States of America it is between 4 and 20 years. For exploitation rights, the amortization period is the lower between the validity of the license and the time during which the reserves are expected to be exploited, which is estimated at between 3 and 30 years.

The accounting policy to account for and amortize goodwill is detailed below:

Acquired Goodwill

In Colombia, the additional amount paid over the intrinsic value certified by the relevant company upon the purchase of sales, quotas or shares of social interest in an active economic entity is recorded under acquired goodwill when control has been acquired, as set forth by sections 260 and 261 of the Code of Commerce, amended by sections 26 and 27 of Law 222 of 1995 and other regulations that modify, add to or supersede it.

Pursuant to joint circular letters 007 of 1997 and 011 of 2005 issued by the Superintendence of Finance, the amortization of goodwill arising from the merger of businesses in Colombia is estimated using the straight line method based on the exploitation time estimated for the intangible asset, which in no event shall be more than 20 years.

At the closing of each accounting period or the closing of the month that is being taken as the basis for preparation of extraordinary financial statements, the Company assesses the goodwill originated from each investment, in order to verify its adequacy as part of the balance sheet.

In other countries where related companies have operations, goodwill is estimated based on the accounting regulations applicable in those countries, in the framework of a higher standard pursuant to accounting principles generally accepted in Colombia and the guidelines of the Superintendence of Finance, in accordance with what is set forth in section 11 of Decree 2649 of 1996 regarding substance above legal form.

As in the case of property, plant and equipment, in the United States of America and the Caribbean cash-generating intangible assets are reassessed whenever changes or circumstances indicate possible losses due to impairment of future cash flows. This assessment is performed each year prior to the end of the accounting period. Goodwill is not amortized in these operations. Impairment is defined as a book value that is greater than the reasonable or recoverable value of the assets classified as a cash-generating unit. Losses due to impairment are charged directly to the income statement.

Assets acquired through financial leasing

Assets acquired through financial leasing are recorded as an asset, with an offsetting liability calculated as the present value as the leasing fees and purchase options established in the financial leasing contract. Assets acquired through leasing are depreciated using the straight line method over the useful life of the acquired property, plant or equipment.

Derivative financial instruments

In its ordinary course of business, the Company is exposed to various financial market risks, which are managed by means of derivative financial instruments. Such risks may be summarized as follows:

Strategic risk: The risk of a difference between the benefits expected from a strategy and the results obtained.

Liquidity risk: The risk of losses due to: I) Failure to fulfill payments due to difficulties in obtaining liquidity. II) Impossibility of taking or unwinding a position in derivatives due to the absence of a market.

Credit risk: The risk of losses arising by default of the counterparty.

Operational risk: The risk of losses due to errors in its record-keeping and/or valuation systems, or poor design of a proper limit system, inappropriate review of contracts or inadequate management information system.

Market risk: The risk the Company faces due to changes in interest and currency exchange rates (peso-dollar), which may significantly affect the Company's financial statements and its cash flow.

In the case of market risk, the Company seeks to protect itself through natural hedges, in the first place, and through derivative instruments as a last resort. The Company does not use derivatives or any other financial instrument for speculative purposes.

The Company regularly values its derivatives at market prices as part of its administrative controls.

The Company manages the above risks through the following operations:

Swap arrangements

These are financial transactions in which the Company, by means of an agreement with a bank, exchanges cash flows in order to decrease liquidity, exchange rate, term or issuer risks, as well as to reorganize assets and liabilities.

In the case of interest rate swaps, principal balances are not exchanged: the Company remains liable for the established loan amounts and terms, and the loans are recorded independently from the swap arrangement. In accounting for swaps, only payments between the parties net of interest are recorded, which implies that the record is limited to the recognition of the positive or negative difference between the interest flows that the parties agree to exchange. Profits or losses arising from the arrangements are charged directly to the income statement.

In the case of currency swaps, the existence of this arrangement does not have an impact on the valuation of the underlying debt (original). During the term of the agreement, the parties pay a premium for the interest and exchange rate differences, which are directly charged to the income statement.

Forward arrangements

They are used to cover the exchange rate risk in debt and investment transactions in foreign currency, as well as to cover future cash flows with high probability of occurrence, such as the Company's monthly exports. At the end of each period, they are valued by discounting the forward rate at the agreed devaluation rate, and this present value is compared to the market representative exchange rate as of the closing date. Any positive or negative difference is charged directly to the income statement.

Options arrangements

They are used to hedge the exchange rate risks mainly arising from monthly exports and their associated future cash flows. They are carried out through structured hedges, such as export collars that allow for a market exchange rate range and provide protection against extreme rate changes. They are valued by applying the Black-Scholes model.

Asset revaluations

These relate to:

- a) Differences between the net cost of investments in stocks or shares at the end of the period and the market or intrinsic value of the investments.
- b) Differences between the technical appraisals of property, plant and equipment and their respective net cost including adjustments for inflation. Such appraisals were performed either by employees of the companies or by independent experts, based on their replacement and impairment values, in 2010, 2011 and 2012. These appraisals are updated every three years.

Labor obligations and retirement pensions

Labor obligations are adjusted at the closing of each period based on current regulations and outstanding labor agreements.

Pension obligations represent the present value of all future expenditures that the Company will have to pay its retired personnel or their beneficiaries, which mainly relates to employees with seniority. The relevant charges to annual results are made based on actuarial studies in compliance with current regulations, prepared under methods such as the actuarial equivalence system for vested annuities, immediately due and forecast fractioned annuities.

Pension payments made during the year are charged directly to the income statement.

In the case of employees covered by the new social security regime (Law 100 of 1993), the Company complies with its pension obligations by paying contributions into the Social Security Institute and/or the private pension funds in the terms and conditions set forth in the above-mentioned law.

For consolidation purposes, the Company carries labor obligations as required in each country pursuant to the subsidiaries' accounting technique and implicit legal obligations. In this sense, the Company does not deem necessary to prepare new accounting estimates to record the consolidated mandatory and company-provided labor benefits on a basis other than that in force in the countries where the relevant liabilities arise.

In Panama, the Company is required to pay for each employee a contribution into the Social Security Fund for future retirement pensions. Additionally, the Company makes contributions to an Independent Management Fund as a benefit for employees that fulfill the following requirements:

- Having worked at the Company for a minimum of 15 years
- Having reached the retirement age established by the Social Security Fund
- Having received a pension from the Social Security Fund

Contributions into the Fund are posted against results.

Taxes, contributions and levies

They represent the value of general mandatory taxes payable to the Government by the Company, estimated on the basis of self-prepared tax returns for the respective tax years.

They include, among others, the income and supplementary tax, the equity tax and the industry and trade tax.

Income and supplementary tax

The Company determines the income tax provision either on the grounds of taxable income estimated at the rates provided for in tax law, or on the grounds of the presumptive income system. The tax effects of revenues, costs and expenses corresponding to temporary differences between accounting and tax reporting figures are carried as deferred taxes. However, in the case of debit deferred taxes they are only carried as revenues when related to temporary differences that entail payment of a higher tax during the current year, provided there is a reasonable expectation of generating enough taxable income in the periods during which the tax benefit is to be obtained.

Pursuant to legal regulations, Celsia S.A. E.S.P. and its controlled public utility companies have the obligation of calculating presumptive income tax to establish net taxable income.

Equity tax

Pursuant to Decree 514 of 2010, Grupo Argos and its subordinated companies adopted as accounting practice for the recognition of the equity tax the recording of total taxes payable against the shareholders' equity revaluation account. Once the revaluation account becomes exhausted and there is no balance in it to cover the tax, the relevant amount payable will be posted against results.

Memorandum accounts

Commitments pending formalization and contingent rights and obligations, such as the value of assets and securities delivered as collateral, endorsements granted, unused letters of credit, assets and securities received in custody or as collateral, fully depreciated assets and the difference between tax and accounting equity values, are recorded in memorandum accounts.

Recognition of revenues, costs and expenses

Revenues from sales are recognized upon dispatch of the product, and upon granting the public deed regarding land or development works; those arising from rental agreements are recognized during the month they accrue and those arising from services upon their rendering. Revenues from dividends are recognized when the issuer declares such dividends.

Power sales revenues are recognized and recorded based on the amount of power generated, which is sold in the electricity exchange or sold through long-term contracts. Revenues derived from the commercialization of electric power both in the regulated and unregulated markets are recognized based on the number of kilowatts consumed by customers, both invoiced and not invoiced; sales of related services are recognized at the time they are invoiced. Electric power that has not been invoiced at the end of the month is estimated based on internal and external information; the latter is supplied by the power market regulator.

Revenues from the commercialization of natural gas are recognized based on the nominations established in the gas resale contracts.

For the effects of remuneration of the distribution business, CREG (Spanish acronym for Power and Gas Regulatory Commission) defines the appropriate remuneration, which is reviewed every five years based on regulatory provisions.

The remuneration methodology of the electricity transmission business is known as the regulated revenues regime, by means of which maximum annual revenues are paid to each transmitter based on the assets it effectively has in the National Transmission System (STN by its acronym in Spanish).

All revenues, costs and expenses are recorded on an accrual basis.

Operating income before asset impairment

This account shows the operating income of the consolidated companies, which excludes extraordinary expenses recorded for the operations in the United States of America and the Caribbean, consisting in recording of the assessment of long-term asset impairment, considered as an unusual or non-recurring business event.

Asset impairment

It relates to the expense arising from the assessment of long-term asset impairment, performed by experts, recognized by the operation of Argos USA Corp in accordance with Generally Accepted Accounting Principles in the United States of America (USGAAP) and International Financial Reporting Standards (IFRS). This expense arises from events not related to the Company's main business.

Translation of Foreign Currency Transactions and Balances

Transactions in foreign currency are recorded at the applicable exchange rates in effect on the respective transaction dates. At the end of each period, the balances receivable or payable and investments in foreign currency are adjusted at the market representative exchange rate certified by the Central Bank. As regards accounts receivable or payable in foreign currency, exchange differences are recorded against income provided the exchange differences are not related to the cost of acquisition of assets.

Foreign exchange differences that occur while assets are under construction or assembly and until they are ready for use are included in the cost of acquisition of assets.

As from 2007, pursuant to Decree 4918 of the same year, the exchange difference of variable income investments in foreign subordinated companies is carried as a higher or lower value of equity in the equity method surplus.

Cash flow statements

The attached statements of cash flows were prepared using the indirect method, which includes a reconciliation of the net income for the year to the net cash provided by operating activities.

Cash and cash equivalents

Cash available on hand and cash in banks, savings deposits and all high-liquidity investments are deemed cash and cash equivalents.

Materiality in the preparation of financial statements

Preparing the financial statements pursuant to generally accepted accounting principles in Colombia requires Management to make estimates and assumptions that have an impact on the amounts of assets and liabilities reported on the closing date of financial statements and the amounts of revenues and expenses reported during the relevant period. Generally the recognition and presentation of economic events are made in accordance with their relative importance or materiality. For the 2012 financial statements, the applicable materiality threshold was established as 5% of consolidated Operating EBITDA.

Consolidated net income per share

Net income per share is calculated based on the weighted annual average of subscribed and outstanding Company shares.

Repurchased own shares are excluded for the effects of this calculation. It includes the depuration of the preferred dividends on 137,838,001 shares as of December 31, 2012, in the amount of \$4 per share.

In 2012 the average number of shares outstanding was 737,271,383 (2011 – 645,400,000)

Contingencies

There may be certain contingent conditions as of the date of issuance of the financial statements, which could result in losses for the Company, but will only materialize in the future upon the occurrence or potential occurrence of one or more events. Such contingencies are estimated by Management and its legal counsels. The estimation of loss contingencies necessarily implies use of judgment and is a matter of opinion. In estimating the loss contingencies in legal proceedings against the Company, the legal counsels assess, among others, the merits of the claims, the jurisprudence of the courts on the subject matter and the current status of the legal proceedings.

Should the contingency assessment indicate the probability of a material loss and the liability can be estimated, it is recorded in the financial statements. Should the assessment indicate that a potential loss is not probable or is probable to occur but the result is uncertain or the amount of the loss cannot be estimated, the nature of the contingency is disclosed in a note to the financial statements. Loss contingencies estimated as remote generally are not disclosed.

Convergence towards International Financial Reporting Standards

In compliance with what is stipulated in Law 1314 of 2009 and regulatory decrees 2706 and 2784 of December of 2012, the Company is required to begin the process of convergence from the Generally Accepted Accounting Principles in Colombia to the International Financial Reporting Standards (IFRS). To this effect, the Technical Council of Public Accounting has issued a Technical Directive classifying companies into three groups.

Given that the Company belongs to Group 1, the mandatory transition period begins on January 1, 2014, and the first comparative financial statements under IFRS will be issued on December 31, 2015.

Group 1 Companies must submit an IFRS implementation plan to the Superintendence of Finance by February 28, 2013.

Note 4 – Transactions in foreign currency

Regulations in Colombia allow the free trading of foreign currencies through banks and other financial institutions at freely set exchange rates. Nevertheless, most foreign currency transactions still require that certain legal requirements be met.

Transactions and balances in foreign currency are translated at the market representative exchange rate certified by the Central Bank, which was used to prepare the financial statements as of December 31, 2012 and 2011. The market representative exchange rate as of December 31, 2012 was COP \$1,768.23 (2011 - \$1,942.70) per US\$1.

At December 31st, the Company had the following net position in foreign currency, mainly in dollars, recorded at their equivalent in millions of Colombian pesos:

	2012		2011	
	Dollars	Millions of pesos	Dollars	Millions of pesos
Current assets	644,871,211	1,140,281	1,050,971,688	2,041,723
Non-current assets	2,093,450,255	3,701,702	1,075,801,825	2,089,960
	2,738,321,466	4,841,983	2,126,773,513	4,131,683
Current liabilities	(934,516,965)	(1,652,441)	(947,539,232)	(1,840,784)
Non-current liabilities	(930,129,147)	(1,644,682)	(1,000,236,614)	(1,943,160)
	(1,864,646,112)	(3,297,123)	(1,947,775,846)	(3,783,944)
Net asset position	873,675,354	1,544,860	178,997,667	347,739

In order to mitigate the risk arising from foreign currency transactions, the Company carries out hedging operations as indicated in notes 6 and 14.

Note 5 – Negotiable Investments

Negotiable investments as of December 31st comprised the following:

	AVERAGE ANNUAL RATE IN 2012	2012	2011
Shares		19,630	-
Time deposit certificates and others (1)	4,1%	224,178	217,931
Trust funds in local currency (2)	4,2%	119,239	14,041
Investment repurchase rights (3)	7,8%	258,109	247,995
Bonds		5	32
Acceptances and titles		-	1,087
		621,161	481,086

- (1) Fixed-term certificates of deposit and others mainly relates to Celsia S.A. E.S.P. and its subsidiaries for \$109,771, which includes fixed-term certificates of deposit for \$40,926, other fixed-rate investments for \$40,682, investment fund managed abroad for \$19,831 and fixed-rate securities for \$2,307 and Grupo Argos S.A. for \$110,251, which includes fixed-term certificates of deposit with BCSC S.A. for \$50,000 and with Valores Bancolombia S.A. for \$60,251. In 2011 it mainly includes securities worth \$95,623 of Empresa de Energía del Pacífico S.A. E.S.P. and US\$5,092,867 in Cementos Argos S.A. and overnight operations for US\$1,350,000.
- (2) The balance mainly relates to Celsia S.A. E.S.P. and its subsidiaries for \$71,322 (2011 - \$10,802), including trust fund rights for \$49,428 (2011 - \$7,241) and collective portfolios established by Empresa de Energía del Pacífico S.A. E.S.P. in 2009 in Fiduciaria BBVA and in Fiduciaria Bancolombia S.A. for \$21,894 (2011 - \$3,561), with the objective of managing collections derived from electric power sales to the wholesale market and the regulated market, and Grupo Argos S.A. for investments in collective portfolios managed by Valores Bancolombia S.A. for \$47,310.
- (3) Investment repurchase rights mainly refers to Colombian investment funds of Celsia S.A. E.S.P. and its subsidiaries for \$243,718 including Bolsa y Renta S.A. for \$121,843, Valores Bancolombia S.A. for \$111,087 and other funds for \$10,788 and in Grupo Argos S.A. it comprises repurchase rights with Valores Bancolombia S.A. for \$14,390, with an average rate of 5.9% E.A. In 2011 it refers mainly to repurchase rights on investments of Celsia S.A. E.S.P. and its subsidiaries in the fund managed by Bolsa y Renta S.A. The average of these investments was of 3% E.A.

No restrictions have been imposed on these investments that would limit their availability for use.

Note 6 – Receivables, net

	2012	2011
Trade receivables from national customers (1)	760,888	836,782
International customers US\$7,365,125 (2011 - US\$4,955,264)	13,023	9,627
Receivables from related parties (see note 29)	13,341	17,673
Advance payments to contractors and others (2)	56,209	43,353
Commitments to enter into purchase-sales agreements (3)	36,624	1,679
Loans to third parties	771	681
Sundry debtors (4)	108,571	172,250
Accounts receivable from employees	37,275	37,582
Revenues receivable	52,723	45,634
Tax advance payments (5)	205,351	131,211
Deposits	21,079	14,236
Trade current accounts	640	229
Other (6)	17,850	16,926
	1,324,345	1,327,863
Less – allowance for doubtful debts	(83,416)	(73,673)
Sub-total	1,240,929	1,254,190
Less - long-term	(85,878)	(56,726)
	1,155,051	1,197,464

(1) This balance is mainly related to receivables from sales on credit to customers of Cementos Argos S.A. for \$262,049, Southern Star Concrete Inc. for \$75,892, Argos Cement LLC for \$48,833, Argos Ready Mix LLC for \$35,894, Southern Equipment Company Inc. for \$34,331 and Cemento Panamá S.A. for \$21,929. In Grupo Argos S.A. \$15,341 for clients of urban development projects. In Celsia S.A. E.S.P. and its subsidiaries \$236,867 for sales of electric power generation and natural gas.

(2) This balance mainly comprises advance payments at Celsia S.A. E.S.P. for \$17,977, C.I. del Mar Caribe BVI Inc. for \$8,728, Carbones del Caribe S.A.S. for \$6,337, Cementos Argos S.A. for \$9,599 and Grupo Argos S.A. for \$4,523, which is an advance payment made to Coninsa and Ramón H. for the direct costs of the civil works at the Viva Villavicencio Shopping Mall, a joint venture project in which Grupo Argos S.A. will hold a stake of up to 49%.

(3) Promises to enter into purchase-sales agreements consist mainly in advance payments made by Compañía de Puertos Asociados S.A. – COMPAS S.A. to acquire properties for \$33,908.

(4) Sundry debtors consists mainly in swap accounts receivable and accounts receivable from Consorcio Hidrocucana and Sedic S.A. for funding provided by Banco de Occidente in performance of a leasing agreement to build the Cucuana hydroelectric power station for \$13,068. The accounts receivable in derivative transactions show a reduction due to unfavorable movements in the agreed exchange rate and interest rates, compared to the end-of-year rates.

Below is a list of the operations with financial derivatives that generated a positive valuation for the Company as of the end of the year:

Swap operations

Type	Underlying	Underlying amount COP\$ or US\$	Underlying rate	Swap amount COP\$ or US\$	Swap rate	Maturity
Currency Swap	Bond 2017	\$343,520	CPI + 3,17%	US\$190,000,000	Libor+1,75%	23-nov-17
Currency Swap	Bond 2017	\$89,800	CPI + 3,17%	US\$50,000,000	Libor+1,92%	23-nov-17

Currency swaps are entered into in order to hedge the company's currency exposure, taking advantage of what the administration believes are favorable market conditions.

(5) At Cementos Argos S.A. for \$86,096, it mainly includes a balance in favor on income tax for the current fiscal year for \$70,257, Concretos Argos S.A. for \$46,991 is mainly a balance in favor on income tax from fiscal years 2012 and 2011 for \$26,734 and \$19,325, respectively, Carbones del Caribe S.A.S. for \$13,860 which is mainly an income tax discount for \$5,762, income tax balance in favor from other years for \$4,539, VAT balance in favor for \$2,523 and in Celsia S.A. E.S.P. for \$8,090.

(6) This balance includes doubtful collection debts for \$14,897 and claims for \$2,953.

The charge against income resulting from the receivables provision totaled \$11,572 (2011 - \$6,393).

The following were the transactions in the allowance for doubtful debt:

	2012	2011
Initial balance	73,673	72,359
Provision of the year	11,572	6,393
Recoveries	(1,829)	(5,079)
Final balance	83,416	73,673

The following are the expiration dates of long-term accounts receivable as of December 31, 2012:

	Valor
2014	16,901
2015	38,920
2016	6,587
2017	4,027
2018 and subsequent years	19,443
	85,878

The interest rates on long-term accounts receivable are: on employee loans between 0% and 14.41% E.A. and for loans to related parties 4.98% E.A.

The amount of overdue accounts receivable as of December 31, 2012 totaled \$60,115 (2011 -\$169,090). The amount of non-recoverable accounts overdue for more than one year totals \$743 (2011 - \$874).

As of December 31, 2012, guarantees on accounts payable and inventories given to Wells Fargo Facility for a revolving credit line of Southern Star Concrete Inc had been lifted.

Note 7 – Inventories, net

Inventories as of December 31st of 2012 comprised the following:

	2012	2011
Finished products	91,484	61,705
Work in progress (1)	64,397	33,405
Raw materials and direct materials (2)	83,931	143,617
Materials, spare parts and supplies	161,328	141,551
Inventories in transit	13,602	24,071
Assets for sale	11,116	11,042
Lands	41,931	9,681
Goods not manufactured by the company	11,399	10,924
Urban development works (3)	72,017	30,472
Other	18,753	14,892
	569,958	481,360
Less – Allowance for inventory obsolescence	(16,470)	(7,121)
Sub-total	553,488	474,239
Less - Long-term portion (4)	(86,432)	(76,725)
	467,056	397,514

- (1) Work in progress mainly includes Cementos Argos S.A. for \$13,098 (2011 - \$13,897), Cemento Panamá S.A. for \$20,985 (2011 - \$17,860) and Argos Cement LLC for \$28,114.
- (2) The changes arise from the appraisal of the assets acquired from Lafarge.
- (3) Urban development works primarily comprises the projects Centro Internacional del Caribe, Portal de Genovés, Miramar IV stage, Clúster Institucional and San Juan de Dios.
- (4) Long-term portion includes developable land of Urbanizadora Villa Santos S.A.S. for \$38,802 and Grupo Argos S.A. for \$332, and power generation materials, supplies and consumable items for \$47,298, which are at the different generation plants of Celsia S.A. E.S.P. and its subsidiaries.

The following were the changes in the allowance for inventory obsolescence:

	2012	2011
Opening balance	7,121	6,853
Provision for the year	3,097	2,138
Inclusion of balance	8,369	-
Inventory write-offs	(2,117)	(1,870)
Closing balance	16,470	7,121

As of December 31, 2012, coal inventories for \$12,225 located at the collection centers of Bijao Mine were seized on orders of the Third Civil Circuit Court. In 2011 there were no encumbrances or restrictions on inventories.

Note 8 – Long-term investments

Long-term investments as of December 31st comprised the following:

2012	Domicile	Line of business	Valuation	Shares Outstanding	No. of shares	Percentage owned	Type of share	Adjusted cost	Market price	Provision	Revaluation (devaluation)
A. STOCKS											
Aeropuerto de Barranquilla S.A.	Barranquilla	Air transport	I	338,000,000	16,000,000	4.73%	O	40	231	-	191
Bancolombia S.A.	Medellin	Financial intermediary	B	509,704,584	33,139,106	6.50%	O	100,123	994,174	-	894,051
Boscoal Operadores Portuarios S.A.	Bogotá	Port services	I	9,999,933	5,096,966	50.97%	O	1,271	1,271	-	-
Cartón de Colombia S.A.	Cali	Cardboard manufacturer	B	107,716,050	2,308,930	2.14%	O	5,089	13,617	-	8,528
Carvajal Pulpa y Papel S.A.	Cali	Paper manufacturer	I	596,630,268	116,767	0.02%	O	3	584	-	581
Cementos de Caldas S.A.	Manizales	Cement production	I	50,666,501	20,179,195	39.83%	O	3,027	3,158	-	131
Centro de Eventos Valle del Pacífico	Yumbo	Recreation	I	4,468,235	15,192	0.34%	O	152	161	-	9
Cera Tech USA	USA	Environmental cement producer	I	1,069,519	100,000	9.35%	O	272	242	30	-
Cera Tech USA	USA	Environmental cement trading	I	27,500,000	7,500,000	27.27%	O	40	568	-	528
Compañía Colombiana de Empaques Bates S.A.	Palmita	Packaging manufacturer	I	54,607	5,905	10.81%	O	81	12,458	-	12,377
Compañía de Inversionistas Inmobiliarios S.A.	Medellin	Construction	I	1,045,400	348,466	33.33%	O	1,562	-	1,562	-
Concentra Inteligencia en Energía S.A.S.	Bogotá	Information services	I	1,344,000	84,000	6.25%	O	84	74	-	(10)
Concesiones Urbanas S.A.	Bogotá	Civil construction	I	24,554,726	8,186,537	33.34%	O	6,362	9,636	-	3,274
Contrabute S.A.S.	Medellin	Environmental activities	I	34,050	13,475	39.57%	O	1,225	30	1,195	-
Corficolombiana S.A.	Cali	Finance	I	190,155,726	61,954	0.03%	O	684	1,027	-	343
Corporación Club Deportivo El Rodeo S.A.	Medellin	Social	I	53,866	12	0.02%	O	6	45	-	39
Corporación de Cemento Andino C.A.	Venezuela	Cement production	I	37,697,288	37,580,426	99.69%	O	38,687	-	38,687	-
Donzi Lotus Marine Corp.	Panamá	Marine business	I	100	100	100.00%	O	32	32	-	-
Electricadora del Caribe S.A. E.S.P.	Barranquilla	Electric power	I	50,027,154,630	11,085,127	0.02%	O	463	455	-	(8)
Emgesa S.A. E.S.P.	Bogotá	Electric power	I	148,914,162	433	0.00%	O	17	17	-	-
EPM Ituango S.A. E.S.P.	Medellin	Electric power	I	925,994,685,967	177,077,504	0.02%	O	260	149	-	(111)
Fondo Regional Garantías del Caribe Colombiano S.A.	Barranquilla	Financial intermediary	I	68,359	2,730	3.99%	O	40	236	-	196
Fundiciones Colombia S.A.	Medellin	Foundry works	I	2,496,845,128	1,326,765,02	53.14%	O	1,647	372	1,275	-
Gas Natural Fenosa Telecomunicaciones Colombia S.A.	Cartagena	Trading	I	1,180,000	118,000	10.00%	O	151	1,061	-	910
Gases de Occidente S.A. E.S.P.	Cali	Electric power	I	1,938,401	83,566	4.31%	O	2,138	11,145	-	9,007
Gestión Energética S.A.	Cali	Electric power	I	441,117,047,263	323,699,869	0.07%	O	6,805	232	-	(6,573)
Graneles de Agua Dulce S.A.	Bogotá	Port operator	I	20,000	10,000	50.00%	O	5	5	-	-
Grupo de Inversiones Suramericana S.A.	Medellin	Investments	B	469,037,260	175,494,026	37.42%	O	336,556	5,401,390	-	5,064,834
Grupo de Inversiones Suramericana S.A. - Preferencial	Medellin	Investments	B	106,334,963	10,310,781	9.70%	P	335,043	402,120	-	67,077
Grupo Nutresa S.A.	Medellin	Food products	B	460,123,458	45,243,781	9.83%	O	196,923	1,150,097	-	953,174
Hidroeléctrica Ituango S.A. E.S.P.	Medellin	Electric power	I	60,186,885,631	45,324,496	0.08%	O	66	55	-	(11)
Hidrosgamoso S.A. E.S.P.	Bucaramanga	Electric power	I	142	3	2.11%	O	56	-	-	(56)
Hipódromo Los Comuneros S.A.	Guane	Horse racing	I	3,199,388	16,870	0.53%	O	12	-	12	-
Industria del Cartón del Valle del Cauca S.A.	Cali	Trading	I	3,500,000	1,081,748	30.91%	O	632	133	140	(379)
Industrial Hulla S.A.	Medellin	Coal mining	I	6,474,711	2,426,054	37.47%	O	154	(1)	155	-
Industrias Metalúrgicas Apolo S.A.	Medellin	Metallurgy	I	234,438,170	179,631,921	76.62%	O	2,128	-	2,128	-
InterShip Agency Venezuela	Venezuela	Marine representation	I	-	-	100.00%	O	18	-	18	-
Inversiones Zona Franca S.A.S.	Rionegro	Construction	I	1,000	168	16.80%	O	454	187	267	-
Isagén S.A. E.S.P.	Medellin	Electric power	B	30,910,000	3,091	0.01%	O	3	7	-	4
Occidental de Empaques S.A.	Medellin	Packaging	I	2,160,000	1,080,000	50.00%	O	473	21,811	-	21,338
Omya Andina S.A.	Guane	Non-metal minerals mining	I	12,690,910	6,345,455	50.00%	O	11,554	39,438	-	27,884
Papeles y Cartones S.A.	Barbosa	Paper manufacturer	I	11,424,044,960	1,112,158	0.01%	O	1	15	-	14
Plaza Mayor Medellín Convenciones y Exposiciones	Medellin	Promotions	I	143,215,801	199,646	0.14%	O	86	434	-	348
Poblado Country Club S.A.	Medellin	Social	I	1,750	17	0.97%	O	564	501	90	27
Productora de Carbón de Occidente S.A. (1)	Cali	Trading	I	5,874,170	817,278	13.91%	O	469	-	469	-
Promotora de Proyectos S.A.	Medellin	Financial	I	3,763,185	1,627,738	43.25%	O	610	416	194	-
Promotora Nacional de Zonas Francas S.A.	Rionegro	Financial	I	380,644,330	63,826,441	16.77%	O	1,361	446	915	-
Promotora Zilca S.A.	Cartagena	Warehousing and deposits	I	5,769,231	30,000	0.52%	O	15	-	15	-
Propuerto S.A.	Barranquilla	Port services	I	1,144,907	128,964	11.26%	O	1,147	1,279	-	132
Siderúrgica del Pacífico S.A. (1)	Cali	Trading	I	54,863,158	10,424	0.02%	O	4	1	-	(3)
Sociedad Administradora Portuaria Puerto Berio S.A.	Barranquilla	Port services	I	16,760	2,625	15.66%	O	70	-	70	-
Sociedad Colombiana de Transporte Ferroviario S.A.	Bogotá	Transportation	I	172,158,489	4,440,945	2.58%	O	1,015	-	1,015	-
Sociedad de Transporte Férreo del Occidente S.A.	Cali	Railroad services	I	2,450,625	72,294	2.95%	O	331	-	331	-
Sociedad Portuaria Bocas de Ceniza S.A.	Barranquilla	Port services	I	18,075,480	403,130	2.23%	O	196	196	-	-
Sociedad Portuaria de Barrancabermeja S.A.	Barranquilla	Port services	I	100,000	1,000	1.00%	O	16	26	-	10
Sociedad Portuaria de Puerto Berio S.A.	Puerto Berio	Port services	I	16,854	150	0.89%	O	16	1	15	-
Sociedad Portuaria de Tamalameque S.A.	Barranquilla	Port services	I	50	3	6.00%	O	4	-	4	-
Sociedad Portuaria LNG Bari S.A.S. E.S.P.	Barranquilla	Port maintenance	I	10,000	2,500	25.00%	O	1,512	2,369	-	857
Sociedad Portuaria Puerto de Buenavista S.A.	Cartagena	Port services	I	48,563	16,186	33.33%	O	3,995	3,995	-	-
Sociedad Portuaria Regional Barranquilla S.A.	Barranquilla	Port services	I	2,799,646	12,771	0.46%	O	31	197	-	166
Sociedad Portuaria Río Grande S.A.	Barranquilla	Port services	I	2,799,646	12,771	0.46%	O	31	266	-	235
Sociedad Promotora Puerto Industrial Aguadulce S.A.	Buenaventura	Port services	I	8,742,710	4,390	0.05%	O	103	39	64	-
Suromiles S.A.	Palmita	Chemical products manufacturer	I	656,863	67	0.01%	O	-	26	-	26
Surandina de Puertos C.A.	Venezuela	Port services	I	515	500	97.09%	O	4,494	3,253	1,241	-
Tableros y Maderas de Caldas S.A.	Manizales	Wood and logging industry	B	25,398,319,390	84,293,866	0.33%	O	3,462	704	-	(2,758)
Termosur S.A. E.S.P.	Manizales	Electric power	I	60	5	8.33%	O	108	35	-	(73)
Transoccidente S.A. E.S.P.	Cali	Electric power	I	185,400	18,540	10.00%	O	510	1,362	-	852
Triple A S.A. E.S.P.	Barranquilla	Public utilities	I	73,485,384	13,700	0.02%	O	350	179	139	(32)
Otras								4,026	(1,739)	5,753	(12)
B. SHARES											
Distribuidora Colombiana de Cementos Ltda. (1)	Barranquilla	Trading	I	200,000	200,000	100.00%	O	3,674	4,820	-	1,146
Servigranel	Barranquilla	Trading	I	-	-	-	O	37	-	37	-
Transmarítima del Caribe Ltda. (1)	Barranquilla	Sea transport	I	50	34	68.00%	O	53	-	53	-
Transportes Elman Ltda. (1)	Barranquilla	Land, river and sea transport	I	800,000	389,437	48.68%	O	1,595	3,457	20	1,882
Other								35	5	30	-
TOTAL STOCKS AND SHARES								1,084,279	8,088,500	55,924	7,060,145
C. BONDS AND SECURITIES								1,238	1,238	-	-
D. OTHER INVESTMENTS								13,684	14,008	20	344
Minus - Provision for protection								(55,944)			
								1,043,257	8,103,746	55,944	7,060,489

2012	Domicile	Line of business	Valuation	Shares outstanding	No. of shares	Percentage owned	Type of share	Adjusted cost	Market price	Provision	Revaluation (devaluation)
A. STOCKS											
Aeropuerto de Barranquilla S.A.	Barranquilla	Air transport	I	338,000,000	16,000,000	4.73%	O	40	177	-	137
Bancomía S.A.	Medellín	Financial intermediary	B	509,704,584	43,236,762	8.48%	O	128,045	1,208,434	-	1,080,389
Cartón de Colombia S.A.	Cali	Cardboard manufacturer	B	107,716,050	2,308,930	2.14%	O	5,088	28,960	-	23,872
Cementos de Caldas S.A.	Manizales	Cement production	I	50,666,501	20,179,195	39.83%	O	3,027	3,180	-	153
Cera Tech Inc	USA	Environmental cement producer	I	1,069,519	100,000	9.35%	O	299	-	299	-
Compañía Colombiana de Empaques Bates S.A.	Palmyra	Packaging manufacturer	I	54,607	5,905	10.81%	O	81	12,142	-	12,061
Compañía de Inversionistas Inmobiliarios S.A.	Medellín	Construction	I	1,045,400	348,466	33.33%	O	1,562	-	1,562	-
Concentra Inteligencia en Energía S.A.S.	Bogotá	Information services	I	1,344,000	84,000	6.25%	O	84	84	-	-
Concesiones Urbanas S.A.	Bogotá	Civil construction	I	1,554,726	518,346	33.34%	O	6,362	9,516	-	3,154
Confitec S.A.S.	Medellín	Environmental activities	I	24,124	6,031	25.00%	O	475	6	469	-
Corficolombiana S.A.	Cali	Financial	I	190,155,726	61,954	0.03%	O	592	898	-	306
Corporación Club Deportivo El Rodeo S.A.	Medellín	Social	I	53,866	12	0.02%	O	6	31	-	25
Corporación de Cemento Andino C.A.	Venezuela	Cement producer	I	37,697,288	37,580,426	99.69%	O	39,191	-	39,191	-
Electrificadora del Caribe S.A. E.S.P.	Barranquilla	Electric power	I	50,027,154,630	11,085,127	0.02%	O	463	453	-	(10)
Emgesa S.A.	Bogotá	Electric power	I	148,914,162	433	0.00%	O	17	17	-	-
EPM Itango S.A. E.S.P.	Medellín	Electric power	I	925,994,685,967	177,077,504	0.02%	O	260	147	-	(113)
Fondo Regional Garantías del Caribe Colombiano S.A.	Barranquilla	Financial intermediary	I	68,359	2,730	3.99%	O	40	207	-	167
Fundiciones Colombia S.A.	Medellín	Foundry works	I	2,496,845,128	1,326,765,02	53.14%	O	1,647	372	1,275	-
B. SHARES											
Gas Natural Fenosa Telecomunicaciones Colombia S.A.	Cartagena	Trading	I	1,180,000	118,000	10.00%	O	151	1,395	-	1,244
Gases de Occidente S.A. E.S.P.	Cali	Electric power	I	1,943,395	83,566	4.30%	O	2,139	10,177	-	8,038
Gestión Energética S.A.	Cali	Electric power	I	441,117,047,263	323,699,869	0.07%	O	6,805	274	-	(6,531)
Grupo de Inversiones Suramericana S.A.	Medellín	Investments	B	469,037,260	175,249,326	37.36%	O	313,784	4,167,725	-	3,853,941
Grupo de Inversiones Suramericana S.A. - Preferencial	Medellín	Investments	B	120,000,000	11,692,300	9.74%	P	380,000	385,847	-	5,847
Grupo Nutresa S.A.	Medellín	Food products	B	460,123,458	45,243,781	9.83%	O	196,923	986,314	-	789,391
Hidroeléctrica Itango S.A. E.S.P.	Medellín	Electric power	I	60,186,885,631	45,324,496	0.08%	O	66	55	-	(11)
Hidrosgomoso S.A.	Bucaramanga	Electric power	I	142	3	2.11%	O	56	-	-	(56)
Hípódromo Los Comuneros S.A.	Guame	Horse racing	I	3,199,388	16,870	0.53%	O	12	-	12	-
Industria del Carbón del Valle del Cauca S.A.	Cali	Trading	I	3,500,000	1,081,748	30.91%	O	652	133	140	(379)
Industrial Hullera S.A.	Medellín	Coal mining	I	6,474,711	2,426,054	37.47%	O	155	-	155	-
Industrias Metalúrgicas Apolo S.A.	Medellín	Metallurgy	I	234,438,170	179,631,921	76.62%	O	2,128	-	2,128	-
Inmobiliaria Incem	Panamá	Inmobiliaria	I	2,195,056	281,143	12.81%	O	194	194	-	-
Intership Agency Venezuela	Venezuela	Marine representation	I	-	-	100.00%	O	19	-	19	-
Inversiones Zona Franca S.A.S.	Rionegro	Construction	I	1,000	168	16.80%	O	454	186	268	-
Isagén S.A. E.S.P.	Medellín	Electric power	B	30,910,000	3,091	0.01%	O	3	6	-	3
Occidental de Empaques S.A.	Medellín	Packaging	I	2,160,000	1,080,000	50.00%	O	473	20,363	-	19,890
Omnia Andina S.A.	Guame	Non-metal minerals mining	I	12,690,910	6,345,455	50.00%	O	11,554	32,391	-	20,837
Papeles y Cartones S.A.	Barbosa	Paper manufacturer	I	11,426,975,914	1,112,158	0.01%	O	1	13	-	12
Plaza Mayor Medellín Convenciones y Exposiciones	Medellín	Promotions	I	143,215,801	188,756	0.13%	O	62	412	-	350
Poblado Country Club S.A.	Medellín	Social	I	1,750	17	0.97%	O	554	426	128	-
Productora de Carbón de Occidente S.A. (1)	Cali	Trading	I	5,874,170	817,278	13.91%	O	469	-	469	-
Promotora de Proyectos S.A.	Medellín	Financial	I	3,763,185	442,988	11.77%	O	396	193	203	-
Promotora Nacional de Zonas Francas S.A.	Rionegro	Financial	I	380,644,330	63,826,441	16.77%	O	1,361	399	962	-
Propal S.A.	Cali	Paper manufacturer	I	596,630,268	116,767	0.02%	O	2	165	-	163
Propuerto S.A.	Barranquilla	Port services	I	1,144,907	128,965	11.26%	O	1,150	1,339	4	193
Siderúrgica del Pacífico S.A. (1)	Cali	Trading	I	40,352,661	10,424	0.03%	O	4	1	-	(3)
Sociedad Administradora Portuaria Puerto Berrio S.A.	Barranquilla	Port services	I	16,760	2,625	15.66%	O	70	-	70	-
Sociedad Colombiana de Transporte Ferroviario S.A.	Bogotá	Transportation	I	172,158,489	4,440,945	2.58%	O	1,015	-	1,015	-
Sociedad de Transporte Férreo del Occidente S.A.	Cali	Railroad services	I	2,450,625	72,294	2.95%	O	331	-	331	-
Sociedad Portuaria Bocas de Ceniza S.A.	Barranquilla	Port services	I	18,075,480	403,130	2.23%	O	484	406	78	-
Sociedad Portuaria de Barrancabermeja S.A.	Barranquilla	Port services	I	52,714	1,000	1.90%	O	17	23	-	6
Sociedad Portuaria de Tamalameque S.A.	Barranquilla	Port services	I	50	3	6.00%	O	4	-	4	-
Sociedad Portuaria Regional de Barranquilla S.A.	Barranquilla	Port services	I	2,799,646	12,771	0.46%	O	31	147	-	116
Sociedad Portuaria Río Grande S.A.	Barranquilla	Port services	I	2,799,646	12,771	0.46%	O	31	266	-	235
Sociedad Promotora Puerto Industrial Aguadulce S.A.	Buenaventura	Port services	I	8,742,710	4,390	0.05%	O	103	40	63	-
Surandina de Puertos C.A.	Venezuela	Port services	I	515	500	97.09%	O	4,938	3,574	1,364	-
Tableros y Maderas de Caldas S.A.	Manizales	Wood and logging industry	B	25,398,319,390	104,026,961	0.41%	O	4,272	1,038	-	(3,234)
Termosur S.A.	Cali	Electric power	I	60	5	8.33%	O	108	35	-	(73)
Transoccidente S.A. E.S.P.	Cali	Electric power	I	185,400	18,540	10.00%	O	510	1,362	-	852
Triple A S.A. E.S.P.	Barranquilla	Public utilities	I	73,445,177	82,214	0.11%	O	350	221	129	-
Otras								4,529	(2,400)	6,979	50
TOTAL STOCKS AND SHARES								1,129,031	6,885,056	57,452	5,813,477
C. BONDS AND SECURITIES								1,226	1,226	-	-
D. OTHER INVESTMENTS								8,450	8,717	18	286
Minus - Provision for protection								(57,470)			
								1,081,237	6,895,000	57,470	5,813,763

The market prices are as of December of 2012 and 2011

Valuations:

I: Intrinsic
B: Stock market price

Type of share:

O: Ordinary
P: Preferred

(1) Companies under liquidation

The reduction is mainly due to the sale of 1,381,519 preferred shares of Grupo de Inversiones Suramericana S.A. and 9,291,880 shares of Bancolombia S.A.

As of December 31, 2012, Grupo Argos S.A. had the following investments pledged as collateral to guarantee financial obligations worth \$300,000:

Company	No. of shares	Institution	Amount
Celsia S.A. E.S.P.	7,602,549	Davivienda	40,597
Grupo de Inversiones Suramericana S.A.	21,200,000	Bancolombia	805,600
Grupo de Inversiones Suramericana S.A.	5,524,303	Banco de Bogotá	209,924
Grupo de Inversiones Suramericana S.A.	14,029,913	BBVA	533,137
Grupo de Inversiones Suramericana S.A.	5,140,800	Helm Bank	195,350
Grupo Nutresa S.A.	9,093,972	Banco de Bogotá	231,169
			2,015,777

The following investments of Cementos Argos S.A. were pledged as collateral:

Company	No. of shares	Institution	Amount
Grupo de Inversiones Suramericana S.A.	5,200,000	Bancolombia	197,600

In 2012 and 2011, 67% of the shares of Empresa de Energía del Pacífico S.A. E.S.P. were pledged as collateral and given as guarantee to back obligations:

Company	No. of shares	Institution	Amount
Empresa de Energía del Pacífico S.A. E.S.P.	116,462,020	Bancolombia	977,510

Note 9 - Property, plant and equipment, net

The balance of property, plant and equipment and depreciation as of December 31 includes the following:

2012	ADJUSTED COST	ACCUMULATED DEPRECIATION	NET COST	APPRAISAL	VALUATION	VALUATION METHOD
Land	509,699	-	509,699	3,917,829	3,408,130	Comparative
Constructions in progress	500,876	-	500,876	500,876	-	Cost
Constructions and buildings	1,119,544	331,414	788,130	1,014,176	226,046	Comparative/cost
Production machinery and equipment	7,385,536	2,973,062	4,412,474	6,810,124	2,397,650	Revenue capitalization
Office furniture, computers and, communications equipment	175,093	125,729	49,364	57,945	8,581	Cost
Mines, quarries and mineral deposits	517,874	103,817	414,057	606,237	192,180	Rental
Land transportation equipment	484,232	292,658	191,574	218,345	26,771	Revenue capitalization
Inland river fleet	76,597	35,470	41,127	42,052	925	Revenue capitalization
Roads	178,874	16,613	162,261	165,258	2,997	Comparative/cost
Agricultural plantations	12,890	1,564	11,326	12,183	857	
Machinery and equipment under assembly	109,270	-	109,270	109,270	-	Revenue capitalization
Property, plant and equipment in transit	3,208	-	3,208	3,208	-	Cost
Other assets	11,243	2,606	8,637	9,561	924	Cost
Sub-total	11,084,936	3,882,933	7,202,003	13,467,064	6,265,061	
Minus provision for asset impairment	-	-	(29,363)	-	-	
TOTAL	11,084,936	3,882,933	7,172,640	13,467,064	6,265,061	

2012	ADJUSTED COST	ACCUMULATED DEPRECIATION	NET COST	APPRAISAL	VALUATION	VALUATION METHOD
Land	936,797	-	936,797	4,335,419	3,398,622	Comparative
Constructions in progress	529,231	-	529,231	529,231	-	Cost
Constructions and buildings	1,015,702	294,930	720,772	940,799	220,027	Comparative/cost
Production machinery and equipment	7,413,196	2,730,064	4,683,132	7,108,892	2,425,760	Revenue capitalization
Office furniture, computers and communications equipment	150,109	113,438	36,671	45,627	8,956	Cost
Mines, quarries and mineral deposits	122,026	101,081	20,945	263,617	242,672	Rental
Land transportation equipment	426,366	250,990	175,376	201,709	26,333	Revenue capitalization
Inland river fleet	83,849	31,835	52,014	53,096	1,082	Revenue capitalization
Roads	154,485	14,375	140,110	143,348	3,238	Comparative/cost
Agricultural plantations	10,394	1,516	8,878	9,735	857	
Machinery and equipment under assembly	81,269	-	81,269	81,269	-	Revenue capitalization
Property, plant and equipment in transit	5,922	-	5,922	5,922	-	Cost
Other assets	6,291	1,128	5,163	7,743	2,580	Cost
Sub-total	10,935,637	3,539,357	7,396,280	13,726,407	6,330,127	
Minus provision for asset impairment	-	-	(25,798)	-	-	
TOTAL	10,935,637	3,539,357	7,396,280	13,726,407	6,330,127	

In 2012 and 2011 the following transactions were made regarding property, plant and equipment:

- From February to October of 2012, land purchases were made for \$3,788 in Santa Rosa (Bolívar), and buildings for \$45 in Barranquilla.
- End of the Purchase Price Allocation for the acquisition of assets from Lafarge in September of 2012.
- Empresa de Energía del Pacífico S.A. E.S.P. acquired land to build the Alférez II power sub-station for \$2,300 and land for a 115 KV sub-station in Jamundí for \$731.

- In 2012 the Company completed the construction of the Hidromontañas power plant, with investment during the year of \$11,494 (2011 - \$30,428). As a result of the completion of construction, \$40,432 were transferred from machinery and equipment under assembly, \$72,834 from constructions in progress and \$8,700 from intangibles (Note 13), to plants, ducts and tunnels for \$45,890 and to constructions and buildings for \$76,076.
- Additionally, Empresa de Energía del Pacífico S.A. E.S.P. has invested \$28,165 in civil works and the purchase of electro-mechanical equipment for the plants of Salvajina, Alto Anchicayá, Bajo Anchicayá, Calima, Amaime, Prado, Nima I and II and Río Cali.
- In 2012, Empresa de Energía del Pacífico S.A. E.S.P. made investments in power sub-stations for \$16,072; in control and measurement devices for \$7,802; in 115 KV networks for \$1,095; in 13.2 KV networks for \$25,296; in 34.5 KV networks for \$3,129 and in distribution transformers for \$2,860.
- In 2012, Empresa de Energía del Pacífico S.A. E.S.P. made investments in the projects Alto Tuluá and Bajo Tuluá for \$30,165, and investments in distribution systems for \$44,430.
- In 2012 Compañía de Electricidad de Tuluá S.A. E.S.P. made investments in upgrades and replacement of equipment at its plants for \$607, in the repair of conduction equipment affected by flooding for \$850, and in architectural works of the service delivery system for \$1,300.
- In 2011, the Company completed construction and assembly of the Flores IV project and \$418,659 were transferred from constructions in progress to plants, ducts and tunnels.
- In June of 2011, the Company acquired assets associated with the San Andrés hydroelectric project for \$6,581.
- In 2011, Empresa de Energía del Pacífico S.A. E.S.P. performed a major overhaul and acquired equipment for power plants for \$16,784 and made investments in distribution systems for \$16,477, mainly in the construction of the Jamundí sub-station and the acquisition of distribution networks.

The Company and its subsidiaries carried out technical appraisals on property, plant and equipment in 2010, 2011 and 2012. The valuation methods used are explained in note 21. These appraisals are updated every three years, as a minimum.

Depreciation posted against income in 2012 totaled \$417,467 (2011 - \$352,009).

In 1994, the Sogamoso cement plant, including its land, was given as collateral to guarantee financial liabilities of Acerías Paz del Río S.A.; such guarantees included first degree mortgages for US\$8,365,573; second degree mortgage for \$659; second degree chattel mortgage for US\$21,337,187. The Company is in the process of cancelling these pledges because the liabilities they guaranteed have been paid in full.

Note 10 – Deferred charges and intangible assets

Deferred charges and intangible assets as of December 31 were comprised of:

	2012	2011
Goodwill (1)	1,246,706	1,297,502
Trademarks (2)	139,866	166,038
Rights (3)	274,693	344,909
Franchises and licenses (4)	287,380	288,245
Deferred assets (5)	269,602	226,917
Others	21,601	25,674
Accumulated amortization	(319,294)	(271,938)
Sub-total	1,920,554	2,077,347
Minus provisions (6)	(2,107)	(60,104)
	1,918,447	2,017,243

- (1) Goodwill mainly includes goodwill arising from the acquisition of Southern Star and Ready Mixed Concrete Co in the United States of America, in 2005 and 2006, respectively. In 2011 goodwill was generated in the amount of \$33,548 from the acquisition of assets by Argos Ready Mix LLC from Lafarge. Purchased goodwill corresponding to the difference between the value paid and the fair value of the American companies acquired was recorded. Such recognition was made in accordance with Generally Accepted Accounting Principles in the United States of America (USGAAP); according to the Colombian conceptual framework, such accounting standards are considered of higher hierarchy because they are applied in a developed economy. Pursuant to these principles, goodwill is not subject to amortization but to impairment valuation whenever signs of such impairment exist. At the closing of 2012 and 2011 accounting periods, the goodwill was appraised by experts and impairment of these assets was identified in 2011 for \$74,460.

Goodwill also includes the greater price paid above book value on the shares of:

- Cemento Panamá S.A. for \$22,688. The intrinsic value per share in pesos was \$218,190; it is amortized using the straight line method over 5 years.
- Surcol Houdstermaatschappij N.V. for \$1,802. The intrinsic value per share in pesos at the time of purchase was \$88,198,366. It is amortized using the straight line method over 4 years. The investment was acquired on February 16, 2010.
- Celsia S.A. E.S.P. for \$28,968. The certified intrinsic value per share as of August of 2010 was \$3,658.79. Also, in June and July of 2012, 835,918 shares were acquired, equivalent to a 0.116% stake in the company. The certified intrinsic value per share in pesos as of June 30 and July 31 of 2012 was \$3,630.81 and \$3,590.49, respectively. The estimated time of amortization is 16 years, using the straight line amortization method. The amount amortized in 2012 was \$1,829 (2011 – \$1,810).
- Merger Link Corp. for \$106 (US\$58,986). The certified intrinsic value per share in dollars as of November 30, 2012 was US\$298.82. The estimated time of amortization is 3 years using the straight line amortization method.

- Zona Franca Celsia S.A. E.S.P. (previously Colinversiones ZF S.A. E.S.P) for \$43,719; Generar S.A. E.S.P. for \$20,078; Hidromontañitas S.A. E.S.P. for \$1,050; Merilétrica S.A. for \$113; Empresa de Energía del Pacífico S.A. E.S.P. for \$254,621 and Compañía de Electricidad de Tuluá S.A. E.S.P. for \$895.
- In 2011 the goodwill arising from the acquisition of stakes in Carbones del Caribe S.A.S., Caricement Antilles NV and Domar Ltd. was fully amortized for \$84,302.

The Generally Accepted Accounting Principles of the United States (USGAAP) and the International Financial Reporting Standards (IFRS) include the concept of impairment of assets, which requires performing an assessment to ensure that the book value of assets is not greater than their recovery cost. This implies that whenever situations arise such as adverse events, changes in the operating environment, changes in the anticipated use of an asset, or a decrease in operating results based on the estimation of discounted future cash flows, whereby the book value of the asset is greater than the fair value of recovery of the asset, either through use or sale, the asset is considered to be impaired, and such loss must be recognized in the Company's financial statements. Colombian accounting standards, as set forth in Decree 2649 of 1993, do not include specific regulations on the manner of estimating asset impairment.

The effect of asset impairment is shown in the consolidated statement of income as "Asset Impairment" below "Operating Income before Asset Impairment" and results from unusual or non-recurring events not related with the main business purpose of Argos USA Corp. and Caricement Antilles NV. The most significant item included in this entry relates to goodwill and acquired customer databases, resulting in \$319,280 accumulated impairment for these assets. In 2012 there were no changes (2011- \$74,460 in Argos USA Corp).

- (2) Trademarks relates to the valuation of acquired trademarks. The methodology applied for the valuation was based on the Discounted Cash Flow analysis: the intangible asset's value is the result of the operating cash that the company is capable of generating in a given period of time, discounted at a rate reflecting the risk arising from such flows. This methodology is supported on the return on the ownership of the trademark regarding such flows (contribution of the trademark to the business, both in the present and the future):
 - Argos Trademark purchased from Inversiones Argos S.A.; the trademark valuation was carried out by Corporación Financiera Colcorp. The trademark was acquired in December 2005 and is amortized over 20 years. Its acquisition cost was \$115,389 and it was adjusted for inflation by \$5,274. In 2012 no changes were recorded on the trademark.
 - The reduction in 2012 arises from the process of valuation of the assets acquired from Lafarge.
- (3) The balance includes the contributions made by the Company to Real Estate Trust Agreement 732-1359 managed by Fiduciaria Fiducor S.A. for the forest reestablishment project in Carmen de Bolívar, for \$29,699 (2011 - \$26,130). Contributions made during 2012 amounted to \$3,569 (2011 - \$17,235). Additionally, it includes an availability right acquired from Acerías Paz del Río in 2008 for US\$21,500,000 (\$39,828), to supply a minimum of 150,000 tons of slag per year during 15 years; it is possible to extend this agreement for a like period; the net balance is \$28,627 (2011 - \$31,282), and a Mercantile Management Trust at Fiduciaria Corficolombiana S.A. for \$42,761.

It also includes the following assets acquired through financial leasing agreements under the modality of monthly installments. The following are the most representative contracts:

Contract number	Initial amount	Balance as of Dec-12	Expiration Date	Term months	Pending installments	Asset
124900	2,783	2,504	18-02-19	84	73	Bello Plant
143367	1,787	1,430	18-10-19	84	80	Rigid truck
143546	1,769	1,415	18-10-19	84	80	Rigid truck
141252	1,746	1,396	18-07-19	84	77	Truck 773G
136006	1,630	1,304	18-02-19	84	72	CAT 988H
133409	1,488	1,190	18-01-19	84	71	CAT D9T
128053	1,511	1,186	18-10-18	84	68	CAT 773
128226	1,471	1,143	18-09-18	84	67	CAT 773
144532	1,416	1,133	18-11-19	84	81	Articulated trucks
124854	1,308	1,002	18-08-18	84	66	CAT 730

In 2012, the Colombian companies reviewed the operating lease operations based on the opinion issued by the leasing company in previous years. As a result of this review, it was decided to adopt a conservative position, in consideration of the essence of the operation, and to record them as financial leases.

- (4) In 2012 Franchises and licenses primarily includes a partial concession of mining title 11387 for the extraction of limestone, acquired in 2008 for US\$41,256,757 (\$95,524) from Acerías Paz del Río, the balance of which is \$73,047(2011 - \$78,667). In 2011 it includes the port concession for the use of public property N° 40 between Cormagdalena and Cementos Argos S.A., which includes shores, land, main dock and infrastructure related to the agreement, in Barranquilla, Atlántico, for \$6,311, which was transferred to Sociedad Portuaria Golfo de Morrosquillo S.A. (company absorbed by Compañía de Puertos Asociados S.A. – COMPAS S.A.). It also includes mining concessions, including the titles acquired from Villasanta S.A. for \$1,500.

The following are the main concessions in force at year end:

Contract number	Type of concession	Main Mineral	Municipality	Department	Amount	Status	Start Date	Duration (years)
2952	Concession contract Decree Law 1275	Limestone and sand	Barranquilla and Puerto Colombia	Atlántico	Indeterminate	Application Extension	07/03/1980	30
3632	Concession contract Law 2655	Limestone and clay	Tolúviejo	Sucre	Indeterminate	Exploitation	06/10/1992	30
9334	Concession contract Law 2655	Lime	Barranquilla and Puerto Colombia	Atlántico	Indeterminate	Exploitation	04/02/1993	30
18610	Concession contract Law 2655	Limestone	Turbaco	Bolívar	Indeterminate	Exploitation	04/02/1997	30
7609	Concession contract Law 2655	Limestone	Curiti	Santander	Indeterminate	Exploitation	23/08/2004	30
8420	Concession contract Law 2655	Limestone	Yumbo	Valle	Indeterminate	Extension and conversion	11/10/1991	30
8421	Concession contract Law 685	Limestone	Puerto Nare and Caracolí	Antioquia	Indeterminate	Exploitation	09/05/2007	30
14335	Concession contract Law 685	Limestone	Puerto Nare	Antioquia	Indeterminate	Exploitation	10/08/2007	30
14665	Concession contract Law 685	Limestone	Duitama and Santa Rosa de Viterbo	Boyacá	Indeterminate	Exploitation	28/08/2007	21

(5) Deferred charges as of December 31 were mainly comprised of:

	2012	2011
Software	19,343	9,681
Research studies	33,210	23,887
Debit deferred income tax (a)	44,096	106,626
Organization and pre-operating expenses	10,920	13,269
Improvements to third party properties (b)	38,513	3,864
Deferred inflation adjustments	10,937	11,222
Inflation adjustments	4,783	-
Licenses	17	26
Technology projects and other deferred charges (c)	107,384	58,262

a) Debit deferred income tax includes deferred taxes of Cementos Argos S.A. for \$10,653 (2011 - 29,015). The reduction arises mainly from the following companies: Argos USA Corp. for \$40,768, Cementos Argos S.A. for \$18,361, Argos Cement LLC for \$12,966 and Argos Ready Mix LLC for \$9,405. This change is mainly due to operations involving derivatives, estimated liabilities for contingencies and deferred depreciation. Also, the above values involving the operation in the United States, include the recognition of the effect of compliance with Accounting Standard Codification (ASC) 740, associated with tax provisions, formerly known as Financial Accounting Standard (FAS) 109, issued by the Financial Accounting Standard Board (FASB) of the United States of America, which requires recognition of a provision for valuation of deferred tax assets known as the "Valuation Allowance", and prescribes recording devaluation of deferred tax assets on possible estimated tax losses that could not be offset, based on a high probability of recovery, which totaled US\$22,6 million. Even though this provision was applied using the conservative criteria required in US standards, which require a high level of certainty of recoverability, Cementos Argos S.A. believes that in the future sufficient taxable income will be generated to use the deferred tax benefits associated with the tax losses, which can be offset within a time period of 20 years.

As of the closing of 2012, Empresa de Energía del Pacífico S.A. E.S.P. amortized \$10,638 of deferred tax debit, due to the cancellation of the intangible asset related to the power purchase agreement (PPA) signed with Termovale S.C.A. E.S.P., which was terminated and closed out in August of 2012.

- b) The increase is primarily due to upgrades performed on the assets of the dock in Tolú at Compañía de Puertos Asociados S.A. – COMPAS S.A. for \$29,987.
- c) Technology projects and other deferred charges primarily includes the costs associated with issuance on bonds for \$11,616, technology projects in progress for \$53,191, and software licenses for \$3,632. The technology projects include the Synergy project (software and upgrades) and the Tulane project. The increase is mainly due to costs incurred in the Synergy project for \$47,670 (2011 - \$18,716) and in the Tulane project for \$170 (2011 - \$556).

- (6) In 2011, relevant circumstances arose in the global economic environment that affected the financial variables used to establish the present value of intangible assets represented in rights in the contract with Termovale S.C.A. E.S.P., particularly regarding the exchange rate, the inflation rate and the discount rate in the United States, which led Empresa de Energía del Pacífico S.A. E.S.P. to update in 2011 the book value of the intangible asset, by recording a provision for \$57,997. In 2012 and as a result of the termination and close-out of the power purchase agreement (PPA), this provision was cancelled.

The amortizations posted against results totaled \$109,629 (2011 - \$205,792).

Note 11 – Financial obligations

Financial obligations as of December 31st comprised the following:

	2012	2011
Overdrafts	2,344	3,078
Loans from domestic banks (1)	2,476,431	3,282,231
Loans from foreign banks and institutions (2)	522,833	1,068,351
Loans from financial corporations	19,361	10,696
Letters of credit and loans from trade financing companies (3)	33,641	125
Other loans from third parties (4)	14,158	23,204
Other domestic liabilities (5)	26,398	135,404
	3,095,166	4,523,089
Minus non-current portion	(1,685,905)	(2,170,285)
	1,409,261	2,352,804

- (1) The reduction is the result of the cancellation of debts to national banks owed by Cementos Argos S.A. and Grupo Argos S.A., which were replaced in part through the issue of debt bonds and mandatory convertible bonds.

The following are the financial obligations owed to national banks:

Institution	2012	2011	Original currency	Due
Banco de Bogotá	-	159,302	Dollar	2012
Bancolombia	-	605,151	Dollar	2012
BBVA	-	129,688	Dollar	2012
Davivienda	-	174,648	Dollar	2012
Davivienda	-	31,084	Dollar	2012
Banco de Bogotá	143,227	-	Dollar	2013
Bancolombia	503,946	-	Dollar	2013
BBVA	88,411	-	Dollar	2013
Davivienda	48,627	-	Dollar	2013
Bancolombia	8,841	-	Dollar	2019
Banco de Bogotá	-	73,640	Pesos	2012
Banco Popular	-	60,000	Pesos	2012
Bancolombia	107	104,159	Pesos	2012
BBVA	-	235,348	Pesos	2012
Davivienda	-	7,000	Pesos	2012
Helm Bank	-	50,000	Pesos	2012
HSBC	-	42,000	Pesos	2012
Banco AV Villas	25,000	25,000	Pesos	2013
Banco de Bogotá	218,103	174,333	Pesos	2013
Banco Popular	120,000	60,000	Pesos	2013
Bancolombia	18,007	4,591	Pesos	2013
BBVA	9,917	-	Pesos	2013
Davivienda	44,667	22,333	Pesos	2013
Davivienda	-	40,000	Pesos	2013
Ministerio de Hacienda	233	-	Pesos	2013
Banco de Bogotá	73,334	91,667	Pesos	2015
BBVA	1,759	-	Pesos	2015
Davivienda	67,000	111,667	Pesos	2015
Bancolombia	1,464	-	Pesos	2016
Helm Bank	100,000	100,000	Pesos	2016
Banco de Occidente	84,542	50,270	Pesos	2017
Bancolombia	919,246	930,350	Pesos	2020
	2,476,431	3,282,231		

(2) The reduction is mainly the result of the cancellation of debt owed to foreign banks by Cementos Argos S.A.

The following are the financial obligations to foreign banks:

Institution	2012	2011	Original currency	Due
Banco General	-	29,141	Dollar	2012
Citibank NA	-	59,835	Dollar	2012
Citibank NA	-	40,797	Dollar	2012
Helm Bank Panamá	-	7,771	Dollar	2012
HSBC USA NA	-	361,342	Dollar	2012
BCI Miami Branch	40,139	-	Dollar	2013
Corporación Andina de Fomento (CAF)	11,633	12,781	Dollar	2013
Corporación Financiera Internacional (IFC)	11,633	12,781	Dollar	2013
Deutsche Investitions (DEG)	4,654	5,113	Dollar	2013
Helm Bank	7,073	-	Dollar	2013
Mercantil Commercebank	22,810	-	Dollar	2013
UBS	7,946	8,730	Dollar	2013
Citibank PLC London	183,017	232,010	Dollar	2019
Corporación Andina de Fomento (CAF)	75,615	95,857	Dollar	2020
Corporación Financiera Internacional (IFC)	75,615	95,857	Dollar	2020
Deutsche Investitions (DEG)	30,246	38,342	Dollar	2020
Other	52,452	67,994	Dollar	2015
	522,833	1,068,351		

The long-term loan with Citibank PLC, backed by EKF Denmark, for an initial amount of US\$159,235,669, owed by Cementos Argos S.A., Zona Franca Argos S.A.S. and Argos USA Corp., has the following financial covenants in effect as of December 31, 2012:

- a) Net Debt / EBITDA ratio + 12 month dividends: less than 4 times.
- b) EBITDA / Financial expense ratio: higher than 1.5 times.

The loan endorsed by EKF has a term of 11.5 years, with semi-annual payments on principal starting in December of 2009 and ending in June of 2019.

The syndicated loan with Citibank Panama branch as administrative agent establishes the following covenants, among others, regarding the financial statements of Cemento Panamá S.A and its subsidiaries:

- Net Debt/EBITDA ratio of less than 2.5 is to be maintained.
 - Debt service coverage not less than 4.0.
 - Total Debt / Equity ratio less than 1.3.
 - The interest rate of the Cemento Panamá syndicated loan is Libor + 1.5%.
- (3) The increase is the result of the reclassification of operating leases to financial leases in alignment with Ruling C015 of 2013 of the Colombian Constitutional Court.
 - (4) It contains rental of ships for \$14,158 (2011 \$23,204), which under International Financial Reporting Standards (IFRS) are accounted for as Financial Leases. If these operations had been entered to in the Colombian territory they would have been recognized as rental with no financial obligation whatsoever.
 - (5) The reduction is primarily due to the fact that Empresa de Energía del Pacífico S.A. E.S.P. terminated the Power Purchase Agreement (PPA) with Termovalle S.C.A.E.S.P., with the consequent removal of their associated assets and liabilities in accounting.

At the closing of 2012, forward currency buying transactions were in place to synthetically convert credits in dollars into pesos, as explained in note 14.

Interests were accrued in the amount of \$429,020 (2011 - \$343,504) on financial liabilities, bonds, commercial paper and accounts payable.

The bank credit lines are guaranteed with permanent investments for \$3,190,887 (2011 - \$3,633,870), as explained in note 8.

The following are the maturity dates of long-term financial obligations as of December 31, 2012:

Year	Amount at maturity
2014	199,506
2015	157,939
2016	166,707
2017	52,668
2018 and subsequent years	1,109,085
	1,685,905

Note 12 - Commercial papers and bonds outstanding

The following were the balances as of December 31:

	2012	2011
Commercial paper	200,000	199,030

As part of its debt restructuring plan, Cementos Argos S.A. issued commercial paper in the amount of \$200,000, in a single series.

Issue date	Maturity date	Type of indicator	Rate	Amount	Interest payments
26/09/2012	24/09/2013	TF	5.95%	\$ 200,000	Upon maturity

	2012	2011
Bonds outstanding	2,625,889	1,850,638
Less discount to be amortized	(8,210)	(9,852)
	2,617,679	1,840,786
Less current portion	(87,091)	(234,640)
	2,530,588	1,606,146

Bonds outstanding as of December 31, 2012 at Cementos Argos S.A., included:

Bonds outstanding issued on November 23, 2005:

Term	Securities issued	Effective rate	Interest payments	Maturity date
10 years	80,000	CPI+2.88%	Semester in arrears	23/11/2015
12 years	290,000	CPI+3.17%	Semester in arrears	23/11/2017
12 years	<u>150,000</u>	CPI+5.25%	Semester in arrears	23/11/2017
	520,000			

Bonds outstanding issued on April 28, 2009:

Term	Securities issued	Effective rate	Interest payments	Maturity date
5 years	81,175	9.70% E.A.	Year in arrears	28/04/2014
7 years	114,943	CPI+6.00%	Quarterly in arrears	28/04/2016
10 years	70,350	CPI+6.30%	Quarterly in arrears	28/04/2019
15 years	<u>229,530</u>	CPI+7.19%	Quarterly in arrears	28/04/2024
	495,998			

Bonds outstanding issued on April 11, 2012:

Term	Securities issued	Effective rate	Interest payments	Maturity date
1.5 years	77,200	IBR+1.45%	Monthly in arrears	11/10/2013
2 years	111,400	DTF+1.34%	Quarterly in arrears	11/04/2014
2 years	<u>111,400</u>	DTF+1.45%	Quarterly in arrears	11/04/2015
	300,000			

Bonds outstanding issued on May 16, 2012:

Term	Securities issued	Effective rate	Interest payments	Maturity date
6 years	97,022	CPI+3.80%	Quarterly in arrears	16/05/2018
10 years	299,896	CPI+4.24%	Quarterly in arrears	16/05/2022
15 years	<u>303,082</u>	CPI+4.50%	Quarterly in arrears	16/05/2027
	700,000			

All Cementos Argos S.A. bond issues are rated AA+ by the rating agency Fitch Ratings Colombia. Bonds are on-demand securities tradable in the secondary market.

Of the \$400,000, 12-year Argos 2005 bonds issue that matures in 2017, \$433,320 were converted into dollars (equivalent to US\$240,000,000) by means of a currency swap with average rate of Libor + 1.78% S.A. See note 6 of this report.

The bonds issued on February 23, 2007 for \$132,211, generated a discount in issuance for \$17,788, which is amortized using the straight line method over 12 years.

Bonds as of December 31, 2012 at Empresa de Energía del Pacífico S.A. E.S.P., included:

Bonds outstanding issued on April 21, 2010:

Ordinary bonds	Securities issued	Effective rate	Interest payments	Year of maturity
C-7	85,754	CPI + 0.58%	Quarterly in arrears	2017
C-10	214,120	CPI + 0.05%	Quarterly in arrears	2020
C-20	<u>300,126</u>	CPI + 0.08%	Quarterly in arrears	2030
	600,000			

Additionally for 2012, it includes accrued interest for \$9,891.

Note 13 – Bonds mandatorily convertible into shares

As of December 31, 2012, bonds obligatorily convertible into shares with preferred dividends and no voting rights (BOCEAS by its acronym in Spanish)) totaled \$749,248, which were issued on November 26, 2012.

The amount authorized for issuing by the Extraordinary Shareholders' Meeting of October 19, 2012, was \$750,000.

The nominal price of the mandatory convertible bond is one million pesos with the following terms and conditions:

Series	Term (months)	Securities issued	Effective rate	Payments	Maturity date	Conversion rate
A3	36	\$750,000	5%	Quarterly in arrears	Nov 29, 2015	1 Mandatory convertible bond for 47 preferred shares without voting rights.

The mandatory convertible bonds can be converted at any time at the option of the holder, after 5 days from the subscription date; if the holder does not voluntarily convert the bond, they shall be obligatorily converted upon maturity.

As long as they are not converted, the mandatory convertible bond will pay their holders a constant coupon rate on the nominal amount.

The Company has 160,000,000 shares in reserve for the mandatory convertible bonds conversions.

In December, 752 mandatory convertible bonds were converted for 47 shares each, for individual holders, equivalent to 35,344 preferred shares. The increase in subscribed and paid-in capital was \$2 and the premium in issuing of shares was \$750.

Note 14 - Accounts payable

Accounts payable as of December 31 included the following:

	2012	2011
Costs and expenses payable	206,368	179,506
National suppliers	335,044	343,479
International suppliers	15,629	18,975
Dividends payable	80,226	67,613
Trade current accounts (1)	8,879	15,194
Accounts payable to contractors	5,826	5,136
Sundry creditors (2)	210,977	385,028
Withholdings payable	40,018	31,361
Installments payable	1,215	1,370
Other accounts payable	24,891	30,015
	929,073	1,077,677
Less – Other long-term payable	(75,857)	(111,122)
	853,216	966,555

- (1) It mainly includes balances with related non-consolidated companies for \$8,879 (2011 - \$10,310). See note 29.
- (2) It mainly includes the balance payable to Cementos Andino S.A. and Concrecem S.A. from the purchase of Cementos La Unión S.A. and Cementos Apolo S.A. under the following conditions:

Balance as of December 31, 2012: US\$57,200,000 (2011 - US\$71,500,000)

Due date: August, 2016

Rate: 5% E.A. payable S.A.

Installments: 10 annual installments

In 2012, interest was accrued for US\$3,169,447 (2011 - US\$3,932,917). In 2012 payments were made against principal for US\$14,300,000. A currency swap was arranged on this account payable.

The balance of Celsia S.A. E.S.P. totals \$6,456 (2011 - \$136,817); in 2011 it included \$133,557 with Fondo para la Defensa de los Derechos e Intereses Colectivos, arising from a ruling issued against Empresa de Energía del Pacífico S.A. E.S.P. in September, 2009, as a result of legal proceedings associated with the maintenance of the Bajo Anchicayá station. Notwithstanding the above, an order issued on January 25, 2012, by the Constitutional Court suspended the order of payment of the ruling, and the same court by means of ruling T – 274/2012 admitted the lawsuit for the protection of constitutional rights filed by Empresa de Energía del Pacífico S.A. E.S.P. and fully overturned the corresponding ruling.

As of the closing of 2012, there were forward currency purchase arrangements in place to systematically convert dollar-denominated loans into pesos.

Below is a list of the operations with financial derivatives that generated a positive valuation in favor of the counterpart (Bank) at the end of the year:

Currency Swap Arrangements

Underlying type	Underlying amt. US\$	Underlying rate	Swap amount \$ COP	Swap rate	Maturity
Accounts payable	57,200,000	4.90% PV	109,246	CPI + 5.35%	08-Aug-16

Forward arrangements

Type	Underlying	Underlying amount US\$	Forward amount US\$	Forward rate \$	Maturity
Fwd buying	Financial loan principal and interest	20,164,501	20,164,501	1,832,79	30-Jan-13
Fwd buying	Financial loan principal and interest	20,096,950	20,096,950	1,835,66	29-Jan-13
Fwd buying	Financial loan principal and interest	20,000,000	20,000,000	1,834,03	29-Jan-13
Fwd buying	Financial loan principal and interest	21,000,000	21,000,000	1,837,50	29-Jan-13
Fwd buying	Financial loan interest	22,149	22,149	1,831,83	11-Jan-13
Fwd buying	Financial loan interest	22,149	22,149	1,838,50	12-Feb-13
Fwd buying	Financial loan interest	20,006	20,006	1,844,57	12-Mar-13
Fwd buying	Financial loan interest	22,149	22,149	1,850,82	12-Apr-13
Fwd buying	Financial loan principal and interest	18,008,574	18,008,574	1,850,71	24-Apr-13
Fwd buying	Financial loan interest	77,688	77,688	1,830,17	10-Jan-13
Fwd buying	Financial loan interest	75,141	75,141	1,841,96	12-Mar-13
Fwd buying	Financial loan principal and interest	31,054,764	31,054,764	1,849,49	24-Apr-13
Fwd buying	Financial loan interest	40,043	40,043	1,833,57	11-Jan-13
Fwd buying	Financial loan interest	38,730	38,730	1,846,26	13-Mar-13
Fwd buying	Financial loan principal and interest	16,030,196	16,030,196	1,854,17	26-Apr-13
Fwd buying	Financial loan principal and interest	35,221,021	35,221,021	1,851,24	26-Apr-13
Fwd buying	Financial loan principal and interest	2,510,956	2,510,956	1,830,75	03-Jan-13
Fwd buying	Financial loan interest	147,538	147,538	1,873,91	27-Mar-13
Fwd buying	Financial loan principal and interest	25,147,538	25,147,538	1,880,47	25-Jun-13
Fwd buying	Financial loan interest	12,028	12,028	1,833,85	09-Jan-13
Fwd buying	Financial loan interest	12,028	12,028	1,840,05	08-Feb-13
Fwd buying	Financial loan interest	10,864	10,864	1,846,04	08-Mar-13
Fwd buying	Financial loan interest	12,028	12,028	1,853,25	09-Apr-13
Fwd buying	Financial loan interest	11,640	11,640	1,858,35	09-May-13
Fwd buying	Financial loan interest	12,028	12,028	1,864,11	07-Jun-13
Fwd buying	Financial loan interest	11,640	11,640	1,870,31	09-Jul-13
Fwd buying	Financial loan interest	8,924	8,924	1,866,24	01-Aug-13
Fwd buying	Financial loan principal and interest	5,500,000	5,500,000	1,865,20	01-Aug-13
Fwd buying	Financial loan interest	14,199	14,199	1,828,76	04-Jan-13
Fwd buying	Financial loan interest	14,199	14,199	1,836,16	04-Feb-13
Fwd buying	Financial loan interest	14,199	14,199	1,839,27	06-Mar-13
Fwd buying	Financial loan interest	14,199	14,199	1,845,44	05-Apr-13
Fwd buying	Financial loan principal and interest	11,012,779	11,012,779	1,847,81	02-May-13
Fwd buying	Financial loan interest	692,103	692,103	1,808,01	01-Feb-13
Fwd buying	Financial loan principal and interest	7,709,241	7,709,241	1,827,90	07-Feb-13
Fwd buying	Financial loan principal	70,000,000	70,000,000	1,836,40	07-Feb-13
Fwd buying	Financial loan interest	235,258	235,258	1,826,59	08-Feb-13
Fwd buying	Financial loan principal and interest	32,063,929	32,063,929	1,833,84	08-Mar-13
Fwd buying	Financial loan principal	20,000,000	20,000,000	1,815,26	10-Apr-13
Fwd buying	Financial loan principal and interest	20,504,031	20,504,031	1,817,41	10-Apr-13
Fwd buying	Financial loan principal	10,000,000	10,000,000	1,818,23	10-Apr-13
Fwd buying	Financial loan principal and interest	44,500,000	44,500,000	1,820,40	10-Apr-13
Fwd buying	Financial loan principal	500,000	500,000	1,837,65	15-Mar-13

Currency swap arrangements are entered into to hedge the company's currency exposure, taking advantage of what the administration believes are favorable market conditions.

Forward and options arrangements are made to hedge the risk of exchange rate fluctuations of dollar-denominated obligations, temporary investments and export and import operations. The valuation of these instruments is performed at reasonable value, taking into account market curves in effect at the time of the valuation (see policy on financial derivative instruments).

Note 15 – Taxes, contributions and levies

The balance of taxes, contributions and levies as of December 31 comprised the following:

	2012	2011
Income tax	70,447	102,447
Sales tax	44,558	42,938
Industry and commerce tax	18,719	4,382
Real estate property tax	1,083	-
Other	95,952	141,752
	230,759	291,519
Less - Long term portion (1)	(46,923)	(93,080)
	183,836	198,439

(1) These are installments on the equity tax, which come due in 2014.

Tax provisions applicable to the Company and its subsidiaries in Colombia stipulate that:

- a) Taxable income is taxed at a rate of 33%. As from 2007, Law 1111 of 2006 reinstated the capital gains system for taxpayers required to record adjustments for inflation, particularly regarding the sale of investments and fixed assets held in possession for more than 2 years.
- b) The basis for calculating the income tax cannot be less than 3% of net shareholders' equity on the last day of the immediately preceding taxable period.
- c) As from 2010, taxpayers who are users of free trade industrial zones and are subject to an income tax rate of 15% will not be entitled to apply the special deduction for the acquisition of productive fixed assets established in section 158-3 of the Tax Code.
- d) From year 2007, tax losses adjusted according to tax rules may be offset against ordinary net income obtained during subsequent taxable periods, with no time limitations, without prejudice for the presumptive tax of the year.

Tax losses arising from the special deduction for investment in productive fixed assets also may be offset against the taxpayer's net income. As of December 31, 2012, Grupo Argos S.A. and its subsidiaries had tax losses worth \$464,702 (2011 - \$423,417).

- e) Any excess in presumptive taxable income above ordinary taxable income accrued after 2003 can only be offset against ordinary taxable income within the following five years.

Starting in 2007 excess presumptive taxable income above ordinary taxable income is readjusted according to tax rules.

As of December 31, 2012 Grupo Argos S.A. and its subsidiaries had \$80,805 (2011 - \$1,257,449) in excess presumptive taxable income originating in the tax years 2006, 2008, 2009, 2010 and 2011.

- f) Starting in 2004 income tax taxpayers who carry out transactions with foreign related parties must calculate their ordinary and extraordinary revenues, costs and deductions, assets and liabilities, applying the prices and profit margins they would have applied in similar transactions on an arm's length basis with non-related parties. The Company conducted a technical survey on transactions carried out during 2011 and reached the conclusion that there is no need to adjust the income tax return on these grounds for that tax year.

The following are the details of the income tax calculations for the years ended on December 31:

	2012	2011
Taxable income of domestic companies at a 15% tax rate	109,453	63,227
	15%	15%
Standard income tax at the 15% rate (1)	16,418	9,484
Taxable income of domestic companies at a 33% tax rate	515,293	530,488
	33%	33%
Standard income tax at the 33% rate (2)	170,047	175,061
Deferred income tax (3)	(16,907)	10,492
Income tax provision for domestic companies	169,558	195,037
Income tax for companies abroad	(5,952)	(31,953)
Total income tax provision posted to results	163,606	163,084

- 1) Zona Franca Argos S.A.S. and Zona Franca Celsia S.A. E.S.P. use a 15% rate for income tax purposes. Zona Franca Argos S.A.S. paid presumptive taxes in 2012 and 2011 and Zona Franca Celsia S.A. E.S.P. paid taxes on taxable income in 2012.
- 2) Of the Colombian companies subject to the 33% income tax rate, some companies pay taxes on presumptive income, whereas other pay taxes on taxable income.
- 3) In Colombia the deferred tax is negative and originates primarily in derivative operations, estimated liabilities for contingencies and deferred depreciation.

The income tax returns of Grupo Argos S.A. and its subsidiaries for the 2009, 2010 and 2011 fiscal years are subject to review and acceptance by the tax authorities.

The Administration and its legal advisors believe that the amounts posted as taxes payable are sufficient to cover any liability that may arise regarding such years.

Equity tax

This tax was calculated by the Company at \$361,636, based on shareholders' equity recorded in the books as of January 1, 2011, and at rates between 1.40% and 4.8% plus a surcharge of between 0% and 25%. The tax return was submitted in May, 2011, and payment will be in eight equal installments in the months of May and September of 2011, 2012, 2013 and 2014. In 2011, the Company accrued and posted the equity tax and the tax surcharge to the shareholders' equity revaluation account in the amount of \$156,653, and against results in the amount of \$43,776

In 2012, the equity tax was posted to liabilities in the amount of \$78,621 and against results in the amount of \$43,776.

Tax reform

The following is a summary of some of the changes to the Colombian tax regime for 2013 and subsequent years introduced by Law 1607 of December 26, 2012:

Income and supplementary taxes– The tax rate on taxable income for legal entities shall be 25% starting on January 1, 2013.

Income tax for equity (as in “fairness” – CREE by its acronym in Spanish) – A new income tax for equity is established starting on January 1, 2013. This tax is assessed at a rate of 8% on a special taxable income base that is different from regular taxable income and does not include capital gains. For the years 2013, 2014 and 2015 the applicable rate shall be 9%, as a transitory regime. For all effects, the CREE taxable income base cannot be less than 3% of the taxpayer's net shareholders' equity as established on the last day of the previous tax year.

In the calculation of taxable income for the CREE tax, it is not allowed to offset tax losses or excesses in presumptive taxes from previous years.

Exemption from contributions– Taxpayers who file Income and Supplementary Tax returns are exempt from payment of payroll taxes to the National Training Service (SENA) and to the Colombian Family Welfare Institute (ICBF) and from paying employer contributions to the National Social Security System's healthcare service on behalf of employees who individually earn up to ten (10) minimum legal wages currently in effect. This exemption will begin once the system of income tax withholdings for the income tax for equity (CREE) is in place (and by July 1, 2013 at the latest).

Capital gains– The capital gains tax rate is modified for legal entities, and shall be equivalent to 10% starting on January 1, 2013.

Transactions with related parties – Taxpayers of income and supplementary tax located or residing in the National Customs Territory that perform transactions with related parties located in free trade zones are required to treat such operations as transactions on an arm's length basis. They are required to submit supporting documentation regarding responsibility for transfer prices and to submit an information statement according to provisions established by law.

Conciliation of contentious and administrative proceedings on tax and customs matters– The National Tax and Customs Administration was granted powers to arrange conciliation settlements for contentious or administrative proceedings that were in progress as of the date the law became effective regarding tax and customs matters and on which no final ruling has been issued. It will be possible to negotiate until August 31, 2013 up to 100% of the total amount of penalties, interest and late charges, as long as payment is made or an agreement is reached on payment of the tax or customs tariffs.

Accounting standards– For tax effects only, references made in tax law to accounting standards shall remain in force for 4 years after the International Financial Reporting Standards come into effect. Consequently, during such time period, the tax bases of the items included in tax returns shall remain unchanged. Similarly, requirements regarding accounting treatment for the recognition of special tax situations shall lose effect once the new accounting regulatory framework is in place.

Requirement for Business Groups to submit consolidated financial statements–By June 30 each year at the latest, duly registered business and/or enterprise groups must submit in magnetic media to the National Tax and Customs Authority their consolidated financial statements, including attachments.

Note 16 – Deferred liabilities

	2012	2011
Deferred taxes (1)	65,145	104,696
Deferred adjustments for inflation	30,606	31,481
	95,751	136,177

(1) The change is mainly due to reductions in the companies Zona Franca Argos S.A.S. by \$5,859, primarily due to grouping together of useful lives, Cementos Argos S.A. by \$18,543 primarily for financial derivative operations, and Southern Equipment Company Inc. by \$24,374, and increases at the companies Argos USA Corp. by \$13,000; and Southern Star Concrete Inc by \$26,077.

Note 17 – Labor obligations

	2012	2011
Pensions payable	341,418	334,364
Consolidated severance fund payments	11,533	10,098
Consolidated vacations	17,385	15,320
Non-mandatory benefits	25,073	68,733
Salaries payable	2,078	527
Other	8,808	1,192
	406,295	430,234
Less - Long term portion	340,072	333,959
	66,223	96,275

Calculation of the actuarial reserve was performed on the following technical basis:

1. Mortality table: Colombian annuity mortality table RV08 both for men and women (Resolution 1555 of 2010 of the Superintendence of Finance).
2. Pension and salary adjustments: the formulation used explicitly incorporates future salary and pension increases at a growth rate of 3.26% for 2012 and 3.53% for 2011 (Decree 2783 of December 20, 2001).
3. Technical interest: 4.8% real per year, for 2012 and 2011.
4. Reserves: They were established using the fractional annuities in arrears model (article 112 of the Tax Statute).

The actuarial method used to calculate the liability is the one established in National Government Decree 2783 of 2001.

The following were the main factors used for actuarial calculations for the years ended on December 31:

	2012	2011
Number of persons	2,695	2,654
Interest rate	4.80%	4.80%
Future pensions increase	3.26%	3.53%

Mainly the inclusion of pensioners from Industrial Hullera S.A. en Liquidación, as a result of the process of normalizing the pensions liability, in which Cementos Argos S.A. definitively takes on the proportion of the obligation it is assigned according to Memorandum dated October 9, 2012, issued by the Labor Ministry.

The following were the charges against results made during the year for retirement pensions:

	2012	2011
Retirement pensions	37,470	67,388

Pension entitlements and bonds are fully amortized, except for Empresa de Energía del Pacífico S.A. E.S.P., where the amortized percentage is 81.68% (2011 – 80.6%).

The following are the details of employees of the Company and its subsidiaries, of management personnel expenses and other employee expenses:

COMPANY	NUMBER OF MANAGEMENT EMPLOYEES	MANAGEMENT PERSONNEL EXPENSES	OTHER EMPLOYEES	OTHER EMPLOYEE EXPENSES
Alianza Progenética S.A.S.	-	-	-	-
American Cement Terminals LLC	-	-	-	-
Argos Cement LLC	46	17,050	340	30,698
Argos Ready Mix LLC	13	4,901	415	33,833
Argos USA Corp.	-	-	-	-
C.I. del Mar Caribe BVI Inc.	-	-	-	-
Canteras de Colombia S.A.S.	-	-	-	-
Carbones del Caribe S.A.S.	11	1,722	794	23,262
Caribbean Construction and Development Ltd.	1	67	8	154
Caricement Antigua Limited	-	-	-	-
Caricement Antilles NV	-	-	-	-
Caricement Saint Maarten NV	-	-	-	-
Caricement USVI Corp	2	271	4	180
Celsia S. A. E.S.P. (Consolidated)	30	12,365	994	92,391
Cement and Mining Engineering Inc.	-	-	-	-
Cemento Panamá S.A.	16	4,151	423	25,867
Cementos Argos S.A.	176	62,444	2,571	149,373
Cementos Colón S.A.	5	537	93	3,158
Central Aggregates LLC	-	-	-	-
Cimenterie Nationale S.E.M.	5	1,227	212	5,913
Colcaribe Holdings S.A.	-	-	-	-
Comercial Arvenco C.A.	-	-	-	-
Compañía de Puertos Asociados S.A.	21	3,746	300	10,407
Concretos Argos S.A.	12	3,055	1,233	48,926
Consort Livestock Inc.	-	-	-	-
Corporaciones e Inversiones del Mar Caribe S.A.S.	-	-	-	-
Dorset Shipping Co. Ltd.	-	-	-	-
Ganadería Río Grande S.A.S.	1	182	103	1,139
Grupo Argos S.A.	21	4,399	28	1,475
Gulf Coast Cement LLC	-	-	-	-
Haiti Cement Holding S.A.	-	-	-	-
Internacional Ejecutiva de Aviación S.A.S	4	250	11	693
International Cement Company S.A.	-	-	-	-
Inversiones el Duero S.A.S.	-	-	-	-
Inversiones FortCorp S.A.S.	-	-	-	-
Inversiones RoundCorp S.A.S.	-	-	-	-
Logística de Transporte S.A.	3	1,019	82	4,253
Marítima de Graneles S.A.	-	-	-	-
Piazza Acquisition Corp.	10	3,492	5	1,272
Port Royal Cement Company LLC	-	-	-	-
Reforestadora del Caribe S.A.S.	1	95	449	2,513
RMCC Group Inc.	-	-	-	-
Savannah Cement Company LLC	1	614	-	-
Somerset Shipping Co. Ltd.	-	-	-	-
South Central Cement Ltd.	-	-	1	193
Southern Equipment Company Inc.	8	3,060	673	59,781
Southern Star Concrete Inc	24	10,070	752	71,666
Southern Star Leasing LLC	-	-	-	-
Surcol Houdstermaatschappij N.V.	-	-	-	-
Trans Atlantic Shipmanagement Ltd.	-	-	-	-
Transatlantic Cement Carriers Inc.	-	-	-	-
Urbanizadora Villa Santos S.A.S.	8	1,307	29	1,324
Valle Cement Investments Ltd.	-	-	-	-
Venezuela Ports Company S.A	-	-	-	-
Vensur N.V.	4	981	60	1,612
Winterset Shipping Co. Ltd.	-	-	-	-
Zona Franca Argos S.A.S.	9	2,271	314	16,827

Note 18 – Other liabilities

As of December 31 they included:

	2012	2011
Estimated liabilities and provisions		
For costs and expenses (1)	144,798	125,635
For labor liabilities	9,033	5,403
For tax liabilities	26,792	51,780
For maintenance and repair	1,956	2,343
For contingencies (2)	380,635	266,359
For obligations on guarantees	689	427
Other provisions (3)	87,929	52,700
Deferred liabilities		
Advance payments received	5,383	6,188
Other liabilities		
Advance payments received (4)	161,213	72,729
Revenues received for third parties	107	177
Joint operating accounts	1,105	1,497
Withholdings on third-party contracts	184	485
Other liabilities	4,581	-
	824,405	585,723

- (1) The balance mainly relates to a provision on goods and/or services received by Cementos Argos S.A. but not invoiced by suppliers in the amount of \$21,966 (2011 - \$25,217) and other liabilities for costs and expenses of the companies Southern Equipment Company Inc. for \$18,153 (2011 \$12,057), Southern Star Concrete Inc. for \$13,647 (2011 \$11,809), Argos Cement LLC for \$35,850 (2011 \$35,983) and Argos Ready Mix LLC for \$11,494 (2011 \$7,407).
- (2) The balance mainly includes provisions for contingencies: labor-related for \$22,845 (2011 - \$17,593), civil for \$6,657 (2011 - \$4,421), administrative for \$4,423 (2011- \$4,601), other for \$11,683(2011 - \$4,220) and at Celsia S.A. E.S.P. \$335,027 (2011 - \$235,524), mainly for a provision for tax contingencies on a contested case of Inversiones e Industria S.A. The increase arises, as indicated in Note 14, in the fact that due to Ruling T-274 of 2012 issued by the Constitutional Court, and using prudent criteria, Empresa de Energía del Pacífico S.A. E.S.P. decided to maintain in its financial statements the amount of the account payable derived from a ruling issued against it in 2009, reclassifying \$133,557 from long-term accounts payable to long-term estimated liabilities and provisions.

- (3) The balance is mainly related to a provision for forestry compensation for \$14,592 of Cementos Argos S.A and \$1,328 of Concretos Argos S.A., derived from obligations of the raw materials quarrying operations to make up for environmental liabilities from prior time periods, and the balance pending for the purchase of the availability right with Acerías Paz del Río S.A., for \$2,652 (2011 \$5,828), equivalent to US\$1,500,000 (2011 - US\$3,000,000). At Carbones del Caribe S.A.S. it includes a provision to cover commitments of mine shut-down and abandonment costs for \$18,950, contingencies for \$13,616, a Take or Pay right of Fenoco for \$7,264, a provision to cover the claim of Servicios de Minería y Dragados S.A. for \$4,377, provision for environmental liabilities for \$3,979 and others for \$2,843.
- (4) The balance comprises advance payments by customers for \$57,437 (2011 - \$61,460), advance payments on contracts for \$87,471 (2011 - \$10,128). The change arises from commitments to acquire real estate properties and others for \$16,304 (2011 - \$1,142). The increase is primarily due to funds received for the performance of joint ventures entered into by Compañía de Puertos Asociados S.A. – COMPAS S.A. with third parties to develop business and infrastructure units in the ports of Cartagena and Buenaventura.

The cost method was used to value the estimated liabilities on costs and expenses, labor liabilities, contingencies and various provisions.

Note 19 – Minority interest

	2012	2011
Minority interest	4,870,120	6,744,120

The reduction in this item is mainly the result of the lower value of the participation of minority shareholders in the shareholders' equity of Cementos Argos S.A., following the spin-off of its non-cement assets in favor of its parent company. In exchange for this lower value of participation, the minority shareholders of Cementos Argos S.A. received a stake in the capital of Grupo Argos S.A., represented in preferred shares.

Note 20 – Shareholders' equity

Share capital

On May 30, 2012 the spin-off by absorption with Cementos Argos S.A., in carrying out the project approved by the extraordinary Assembly of November 24, 2011, the Company provided the shareholders of Cementos Argos S.A. other than Grupo Argos S.A. 137,802,657 shares with preferred dividends and without voting rights, with a nominal price of \$62.50. As a result, the Company's subscribed and paid-in capital increased by \$8,613 and the premium in share issues increased by \$26,531.

As a result of the conversion of mandatory convertible bonds, subscribed and paid-in capital increased by \$2 and the premium in share issues increased by \$750.

Authorized capital is comprised by 1,200,000,000 shares with a nominal price of \$62.50 each. Subscribed and paid-in capital is comprised by 788,940,433 (2011- 651,102,432) shares, of which 651,102,432 (2011- 651,102,432) are ordinary shares and 137,838,001 preferred shares.

There are 5,702,432 own reacquired shares, for total shares outstanding of 783,238,001, namely 645,400,000 ordinary shares and 137,838,001 preferred shares.

	2012	2011
Authorized capital - 865,000,000 ordinary shares, nominal price \$62.50	54,063	54,063
Authorized capital - 335,000,000 preferred shares, nominal price \$62.50	20,937	20,937
Total authorized capital – 1,200,000,000 shares, nominal price \$62.50	75,000	75,000
Subscribed and paid-in capital – 651,102,432 ordinary shares	40,694	40,694
Subscribed and paid-in capital – 137,838,001 preferred shares	8,615	-
Total subscribed and paid-in capital – 788,940,433 shares	49,309	40,694

The preferred shares give shareholders the following rights:

- (i) To receive a preferred dividend of \$4 (four pesos) per share, with preferential treatment compared to dividend payments on ordinary shares, as long as dividend payments have been approved using funds legally available to this end. Under no circumstance will the dividends received by regular shareholders be greater than the dividends for preferred shares.

Under no circumstance will preferred dividends be accumulated for future years. In all cases, the first dividend payments will be made to those approved by the company after the shares have been subscribed.

- (ii) To participate jointly with ordinary shareholders in distributable profits, proportionally to their share of the company's subscribed capital, following payment of the preferred dividends and ordinary dividends equal to the preferred dividends.
- (iii) To receive preferential treatment in the reimbursement of capital during liquidation, as long as the company's external liabilities have been fully covered.
- (iv) To participate in meetings of the Assembly of Shareholders with voting rights exclusively in the following situations:
 - a) When amendments are to be approved that may impair the conditions or rights of preferred shares. In this case, the favorable vote of 70% of subscribed shares, including in this percentage and in the same proportion the favorable vote of the preferred shares.
 - b) When a vote is to be made on converting preferred shares into ordinary shares, except when the respective rules have expressly regulated the possibility of conversion and the terms of such a conversion. In the event it is decided to approve a conversion that is different from that established in the rules, or when such an option has not been established, the same majority indicated in the previous paragraph shall apply.

- c) If at the end of a fiscal year the Company does not have distributable profits to pay the preferred dividend, and the Superintendence of Finance, in writing, or at the request of preferred shareholders representing at least 10% of preferred shares, establishes that benefits have been concealed or distracted in such a manner as to reduce distributable profits, it may allow preferred shareholders to participate with voice and voting rights in meetings of the General Assembly of Shareholders, until it is verified that any irregularities that led to the adoption of this measure have disappeared, according to what is set forth in Article 64 of Law 222 of 1995.
- (v) To be summoned to meetings of the Assembly of Shareholders in the same manner and under the same terms as ordinary shareholders.
- (vi) To exercise the right of inspection, in the same cases, terms and conditions as ordinary shareholders.

Legal reserve

The Company is required to appropriate to a legal reserve at least 10% of net annual profits, until the balance of this reserve equals 50% of subscribed capital. This reserve is not distributable prior to the Company's liquidation, but it may be used to absorb or reduce annual net losses. Appropriations in excess of the mentioned 50% are freely available to the General Meeting of Shareholders.

Following the spin-off through absorption with Cementos Argos S.A. on May 30, 2012, the company absorbed legal reserves in the amount of \$9,318.

As of December the balance of the legal reserve is \$29,665 (2011 - \$20,347).

Reserve to reacquire shares

This reserve on reacquired own shares, according to what is set forth of the Code of Commerce, is only distributable to shareholders once the shares have been resold. As long as they are held by the Company, the rights attached to them shall remain suspended.

	2012	2011
Reserve to reacquire shares	119,785	119,785
Less- Reacquired own shares	(119,785)	(119,785)

Statutory reserves

The Extraordinary Assembly of Shareholders of October 19, 2012, approved the creation of the following statutory reserves:

1. Mandatory convertible bonds statutory reserve: Its objective is to enable the shares with preferred dividend and no voting rights received through conversion by the holders of bonds obligatorily convertible into preferred shares with no voting rights (BOCEAS by its acronym in Spanish), to have the right to receive dividends payable in the same terms and conditions as other outstanding shares with preferred dividends and without voting rights.

The mandatory convertible bonds statutory reserve was created in the amount of \$15,000 appropriated from non-taxable occasional reserves available to shareholders, which the company had established in previous years.

The General Assembly of Shareholders of the Company can only change the use of the mandatory convertible bonds statutory reserves when the following two events occur: i) that the Company ceases to have mandatory convertible bonds outstanding, and ii) that the last dividend payment due has been paid upon maturity of the mandatory convertible bonds.

In December, 2012, \$2 was used to pay dividends equivalent to \$53 (pesos) per share, for fourth-quarter dividends on 35,344 preferred shares issued through conversion of 752 mandatory convertible bonds.

As of December 2012 the balance of the mandatory convertible bonds statutory reserve was \$14,998.

2. Statutory reserve for dividends: Its purpose is to provide the General Assembly of Shareholders the resources required to decree dividends at its discretion.

The statutory reserve for dividends was established with an initial amount of \$54,000 by appropriating occasional non-taxable reserves available to shareholders, which the Company had established in previous years.

The statutory reserve for dividends may be increased in any amount the General Assembly of Shareholders considers appropriate, as long as it is appropriated from non-taxable occasional reserves established in previous years.

As of December 2012 the balance of the statutory reserve for dividends was \$54,000.

3. Statutory reserve to repurchase mandatory convertible bonds: The purpose of this reserve is to enable the repurchase of the outstanding bonds obligatorily convertible into shares issued by the Company.

The statutory reserve to repurchase mandatory convertible bonds was established in an initial amount of \$10,000 appropriated from occasional non-taxable reserves available to shareholders, which the Company had established in previous years.

The statutory reserve to reacquire the mandatory convertible bonds may be increased in any amount the General Assembly of Shareholders deems appropriate, as long as it is appropriated from occasional non-taxable reserves established in previous years, and that the amount is not greater than the total amount of the mandatory convertible bonds outstanding.

As of December 2012 the balance of the statutory reserve to reacquire mandatory convertible bonds was \$10,000.

Other reserves

The General Assembly of Shareholders meeting of March 28, 2012, appropriated a non-taxable reserve for future investments in the amount of \$12,383 for payment of dividends.

The Extraordinary Assembly of Shareholders meeting of October 19, 2012, reassigned the use of \$79,000 that had been appropriated for the reserve for future investments to statutory reserves.

Following the completion of the spin-off by absorption project with Cementos Argos S.A. on May 30, 2012, the Company absorbed reserves for future expansion and investments for \$163,427 and reserves available to the highest corporate body for \$427.

The remaining reserves are freely available to shareholders.

	2012	2011
Reserve for future investments	779,674	1,283,048
Sub-total investment reserve	779,674	1,283,048
Reserve to repurchase shares	5,988	5,988
Reserve available to the Highest Corporate Body	427	-
Sub-total other reserves	6,415	5,988
Total	786,089	1,289,036

Shareholders' equity revaluation

The shareholders' equity revaluation account reflects the effect that the loss of purchasing power has on equity, according to regulations in effect until December, 2006.

Decree 1536 of 2007 eliminated inflation adjustments and established that the accumulated balance in the shareholders' equity revaluation account may only be distributed upon liquidation of the Company or when the amount in the account has been capitalized; nevertheless, once capitalized it may only be used to absorb losses if the Company incurs in grounds for dissolution, and it cannot be used to reimburse capital contributions to shareholders. Should the balance in this account be of a debit nature, it may offset with current or prior period results, subject to compliance with regulations set forth in the Code of Commerce regarding profits.

Law 1370 of December 30, 2009 provides the option of charging the equity tax against the shareholders' equity revaluation account without affecting period results. The Company used this option in recording the equity tax for the periods 2011 to 2014 in amount of \$168,733.

Following completion of the spin-off by absorption project with Cementos Argos S.A. on May 30, 2012, the Company absorbed shareholders' equity revaluation in the amount of \$145,361.

Note 21 – Asset revaluations and revaluation surplus

Assets revaluations and revaluation surplus as of December 31 included the following:

	2012	2011
On permanent investments (1)	7,060,489	5,813,763
On properties, plant and equipment and other assets	6,265,061	6,330,127
Revaluations	13,325,550	12,143,890
Less – Transfer of minority interest	(2,650,474)	(4,727,488)
Assets revaluations surplus	10,675,076	7,416,402

- (1) The increase was due to the valuation of the portfolio of shares traded on the Colombian Securities Exchange.

The Company performed several appraisals of Properties, plant and equipment in 2010, 2011 and 2012. Valuation methods included the comparative method and cost in the case of land, constructions and buildings, transportation equipment, furniture and office equipment. The appraisals are updated at least once every three years.

The appraisals of some of the properties absorbed by Cementos Argos S.A. were performed by the firm Colliers International Colombia.

In 2011, the firm Activos e Inventarios y Cía Ltda. took an inventory of the fixed assets of Cementos Argos S.A. and its affiliates in Colombia, at the various industrial, commercial and administrative units throughout the national territory. The valuation methodology used by the firm assumes that the company is an ongoing concern, uses the comparative method, the method of capitalization of income and the cost method, as appropriate. In summary, the valuation was based on application of the “fair value” principle in comparing with international figures of productive units in operation; of used elements and in operation, of installed and productive capacity valued in dollars and measured by production capacity in mining, crushing, calcinations, milling and packaging processes for cement production.

This methodology further requires including in the value of the equipment the cost of engineering and civil works for assembly, electric, mechanical and electronic connections, pre-operating testing and start up in accordance with section 64 of Decree 2649 of 1993 supplemented with internationally accepted accounting standards (IFRS, USGAAP).

Celsia S.A. E.S.P. and its subsidiaries performed an appraisal of their assets in December of 2010, 2011 and 2012. The appraisal was performed according to criteria established in current legislation, by independent appraisal firms Organización Noguera Camacho, Delta Ingeniería Ltda and Bienes y Desarrollos Ltda, with which there are no transactions that involve a relationship with the Company or its subsidiaries, using the methodology of replacement for new and commercial value.

Note 22 – Memorandum accounts

Memorandum accounts as of December 31 included the following:

	2012	2011
Properties and securities provided as collateral (1)	3,603,478	4,305,605
Fully depreciated assets (2)	922,111	846,814
Capitalization of shareholders' equity revaluation	55,391	55,391
Differences between accounting and tax shareholders' equity (3)	(148,065)	(6,214,435)
Tax debit accounts (4)	11,969,529	11,503,620
Litigation and/or lawsuits (5)	10,581	16,096
Purchase-sale commitments (6)	72,977	-
Unused credits in favor (7)	9,864	11,715
Other debit control accounts	82,992	73,648
Other	311,962	308,735
	16,890,820	10,907,189
Contingent liabilities		
Assets and securities received	(359,840)	(330,881)
Other contingent liabilities	(2,421,404)	(1,791,165)
Other	(187,275)	(144,837)
	(2,968,519)	(2,266,883)
Credit memorandum accounts		
Tax credit accounts (8)	(11,175,990)	(11,023,901)
Credit control accounts (9)	(1,230,355)	(1,237,794)
	(12,406,345)	(12,261,695)
Total memorandum accounts	1,515,956	(3,621,389)

- (1) In 2012 the balance primarily includes shares delivered as collateral (see note 8). It additionally comprises the cement plant in Sogamoso, including its land, delivered as surety to cover financial liabilities of Acerías Paz del Río S.A. for \$72,844 and the shares issued by Empresa de Energía del Pacífico S.A. E.S.P. given as collateral to back financial debt from Bancolombia S.A. of Celsia S.A. E.S.P.
- (2) The increase is primarily due to the update of the commercial value of the Company's fixed assets.
- (3) The balance includes the differences between accounting and tax figures of the assets in Grupo Argos S.A. The largest difference is in permanent investments for \$7,419,187.
- (4) Tax debit accounts includes the differences between accounting and tax figures on assets, liabilities and income, mainly of Cementos Argos S.A., and the largest difference is in the item of shareholders' equity for \$8,965,160 in 2012 and 2011.
- (5) The reduction is due to an update in the amounts of claims in legal proceedings.

- (6) Purchase-sale commitments is the purchase-sale promise with Compañía de Puertos Asociados S.A. – COMPAS S.A. for \$67,815 of port properties in the name of Grupo Argos S.A., as well as the purchase-sale promise of the properties that were spun off from Corporaciones e Inversiones del Mar Caribe S.A.S. for \$5,161 in the name of Inversiones RoundCorp S.A.S.
- (7) The reduction is due to the expiration in August of the standby letter of credit of Cementos Argos S.A. and Zona Franca Argos S.A.S. with Citibank N.A.
- (8) Tax credit accounts mainly includes differences between tax and accounting figures of valuations, which in Cementos Argos S.A. total \$8,744,320.
- (9) The balance is the amount of financial lease agreements signed by Empresa de Energía del Pacífico S.A. E.S.P. with Banco de Occidente to acquire lands and imported equipment related to the construction of the Cucuana hydroelectric power station.

Note 23 – Operating revenues

Operating revenues as of December 31 included the following:

	2012	2011
Revenues from the sale of cement, concrete and others (1)	4,477,319	3,668,168
Revenue from sales of electricity, gas and related activities (2)	2,023,471	1,844,512
Financial activities (3)	180,365	273,603
	6,681,155	5,786,283

- (1) Mainly domestic and international sales of cement, clinker, slug, limestone, coal and income from urban development and port services.
- (2) The balance mainly includes income from the sale of electric power through the power exchange; commercialization of electric power in the regulated market, contracts, charges for reliability and use and connection of networks.
- (3) In 2012, the balance includes income from the sale of investments for \$107,019, mainly the sale of 1,381,519 preferred shares of Grupo de Inversiones Suramericana S.A. for \$46,457, the sale of 8,331,613 shares of Cementos Argos S.A. for \$60,139 and dividends for \$72,455. In 2011 it includes income from the sale of investments for \$244,757, derived from the sale of 7,929,464 shares of Cementos Argos S.A. for \$92,775, sale of 5,334,653 shares of Bancolombia S.A. for \$150,321, sale of 2,881,221 shares of Fundicom S.A. for \$1,012 and the residual amount from the final liquidation of Predios del Sur S.A. for \$649 and dividends for \$28,403.

Note 24 - Administrative expenses

Administrative expenses as of December 31 included the following:

	2012	2011
Personnel expenses (1)	203,948	149,475
Services	68,456	50,994
Amortization of deferred charges	38,833	38,275
Professional fees (2)	70,047	39,545
Contributions and affiliations	8,085	8,554
Travel expenses	14,710	10,577
Depreciation of properties, plant and equipment	16,674	14,764
Maintenance and repairs	21,126	13,717
Taxes	12,682	6,365
Rental expenses	9,059	8,297
Insurance	13,045	9,958
Provisions (3)	19,861	3,559
Legal expenses	3,551	4,361
Adaptation and assembly	1,489	339
Entertainment and public relations expenses	1,769	1,277
Employee cafeteria and restaurant	2,184	2,104
Office supplies	1,064	589
Transportation	658	499
Commissions	1,648	969
Other (4)	8,187	32,420
	517,076	396,638

- (1) Personnel expenses increased because the organizational structure was strengthened in order to undertake new strategic projects of the Company and its subsidiaries.
- (2) In 2012 professional fees increased in connection with new projects of the Company and its subsidiaries. They are mainly related to technical consulting for \$19,932 (2011 - \$10,438), financial consulting for \$21,222 (2011 - \$3,634), legal consulting for \$5,673 (2011 - \$5,375), external auditing for \$4,123 (2011 - \$3,564), statutory auditor for \$2,339 (2011 - \$2,589) and others for \$15,709 (2011 - \$13,242).
- (3) Provisions mainly relates to provisions on investments for \$13,748 (in Merger Link Corp. for \$12,143, Carbones del Caribe S.A.S. for \$718, Urbanizadora Villa Santos S.A.S. for \$37, Internacional Ejecutiva de Aviación S.A.S. for \$89 and Contreebute S.A.S. for \$726) and the provision on accounts receivable for \$5,090. In 2011 it included provisions on investments for \$1,726 and accounts receivable for \$1,579.
- (4) In 2012, it mainly related to books and subscriptions for \$2,014 and other for \$4,658. In 2011 it was related to expenses involved in the acquisition of new companies in the United States by Argos USA Corp for \$20,346 and in Cementos Panamá S.A. for \$7,551 associated to the ERP change project.

Note 25 - Sales expenses

Sales expenses as of December 31 included the following:

	2012	2011
Personnel expenses (1)	60,719	40,646
Services	30,709	19,380
Amortization of deferred charges	24,972	25,651
Maintenance and repairs	2,021	1,872
Taxes	23,009	19,337
Rental expenses	3,410	3,080
Travel expenses	3,805	2,674
Professional fees	3,872	3,252
Insurance	1,729	2,291
Depreciation of Properties, plant and equipment	4,525	5,282
Contributions and affiliations	3,101	793
Legal expenses	798	103
Adaptation and assembly	38	3
Commissions	242	412
Fuel and lubricants	1,038	57
Office supplies	267	84
Public relations expenses	538	365
Provisions	7,811	4,814
Other	2,517	4,626
	175,121	134,722

- (1) Personnel expenses increased because the organizational structure was strengthened in order to undertake new strategic projects of the Company and its subsidiaries.

Note 26 – Exchange rate differences

	2012	2011
Exchange gain	106,007	31,765
Exchange loss	(87,951)	(65,640)
Net exchange rate differences	18,056	(33,875)

Note 27 - Other income

Other income as of December 31 included the following:

	2012	2011
Recoveries (1)	78,447	38,670
Gain in sale of permanent investments (2)	231,417	141,645
Gain in sale of properties, plant and equipment	6,734	8,886
Gain in sale of other assets	2,565	856
Other sales	5,851	6,727
Services	9,973	2,344
Professional fees	74	157
Rental expenses	5,097	6,592
Income from previous years	586	1,822
Exploitation of assets	1,888	2,846
Subsidies	311	75
Indemnifications (3)	53,366	12,298
Other (4)	67,782	43,378
	464,091	266,296

- (1) Recoveries mainly comprises the recovery of provisions on investments for \$55,462 (2011 - 14,335) and recovery of costs and expenses for \$22,946 (2011 - \$24,233), including the recovery of costs from closing the Portal de Alejandr  II project for \$9,513 and \$7,158 at Empresa de Energ a del Pac fico S.A. E.S.P. for the recovery of costs and expenses in the sale of rights of the project Miel II to Inficaldas.
- (2) The balance mainly relates to the sale of 9,291,880 shares of Bancolombia S.A. for \$231,369. In 2011 it included a profit in the sale of shares of Grupo de Inversiones Suramericana S.A. for \$33,474, Bancolombia S.A. for \$23,751, Cart n de Colombia S.A. for \$3,962, from corporate reorganization \$6,351 and in Celsia S.A. ESP for \$73,010 for the sale of permanent investments.
- (3) Indemnifications mainly includes an indemnity for lost profits for \$3,970, due to damages at the Sogamoso electric power plant, damages for \$758 of Cementos Argos S.A. and recovery of the provision of late charges for \$43,472, as a result of the overturning of a ruling issued in 2009 against Empresa de Energ a del Pac fico S.A. E.S.P.
- (4) The balance is primarily an additional payment received by Valle Cement Investments Ltd for 45,925 from Companhia Vale Do R o Doce as a result of the valuation of coal reserves at the Cuevas mine; Celsia S.A. E.S.P. for \$19,239 mainly from income for the valuation of portfolio investments to market for \$15,339 and fixed income for \$3,567. In 2011 it comprises the profit created from the liquidation of Fortecol Investments Limited, Godiva Investments Ltd., Climsford Investments Limited and Belsford Ltd; at Celsia S.A. E.S.P. it includes a profit in the valuation of portfolio investments for \$2,672.

Note 28 - Other expenses

Other expenses as of December 31 included the following:

	2012	2011
Costs and expenses from previous years (1)	28,795	13,414
Loss in sale of investments	595	1,522
Penalties, fines and litigation (2)	21,599	21,776
Loss in sale and disposal of property, plant and equipment	4,140	1,318
Disposal of property, plant and equipment (3)	1,036	13,321
Disposal of other assets	3,198	2,581
Losses from accidents	390	555
Taxes taken on (4)	70,057	61,500
Grants and contributions	21,417	13,951
Cost of other sales	3,378	7,304
Cost of sales of materials and spare parts	4,532	4,743
Retirement pensions and pension endowments (5)	37,470	67,388
Indemnities	2,408	5,873
Provision on long-term investments (6)	31,852	81,557
Expenses of related parties	2,400	249
Labor lawsuits	14,013	9,758
Amortization of deferred charges	79	484
Other amortizations (7)	4,538	195,995
Provision for intangible assets (8)	-	57,997
Other (9)	46,106	84,146
	298,003	645,432

- (1) The increase is primarily due to a provision for forestry compensation for \$14,592 of Cementos Argos S.A and \$1,328 of Concretos Argos S.A derived from obligations from the raw materials quarrying operations to cover environmental liabilities from previous periods, and the industry and commerce tax of Barranquilla for \$590 of Cementos Argos S.A.
- (2) The balance comprises mainly civil contingencies of Empresa de Energía del Pacífico S.A. E.S.P. for \$14,406, as well as provisions in Carbones del Caribe S.A.S. for \$4,718 for a correction to the 2009 income tax return for \$2,672, labor indemnities for \$961 and provision for a currency exchange penalty for \$914 and at Cementos Argos S.A. for \$1,786.
- (3) The reduction is mainly due to the disposal in 2011 of the assets of the Betania Plant for \$9,012, trucks for \$976 and scrapped assets for \$430.
- (4) The balance is mainly the equity tax of Zona Franca Argos S.A.S. for \$12,080, Empresa de Energía del Pacífico S.A. E.S.P. for \$26,844 and Colener S.A.S. for \$4,852, financial transaction tax at Cementos Argos S.A. for \$13,313, Logística de Transporte S.A. for \$1,580 and Valle Cement Investments LTD for \$1,844 for withholdings on interest from loans and dividends paid by Cementos Colón S.A.

- (5) The balance mainly includes payment of retirement pensions at Cementos Argos S.A. for \$19,549, Empresa de Energía del Pacífico S.A. E.S.P. for \$8,103 and Grupo Argos S.A. for \$1,186, as well as a pension subsidy for \$3,348 and amortization of actuarial calculations for \$538 at Cementos Argos S.A. In 2011, 100% of the non-amortized pension liabilities as of December 31, 2010 were amortized.
- (6) In 2012, the balance is mainly a provision on the investment of Cement and Mining Engineering Inc in Corporación de Cemento Andino C.A. for \$2,075; of Cementos Argos S.A. in Valle Cement Investments LTD. for \$5,113, in Ganadería Río Grande S.A.S. for \$3,286, in Cemento Panamá for \$473, of Colcaribe Holdings S.A. in Cemento Panamá S.A. for \$691, of Haiti Cement Holding in CINA for \$683 and of Celsia S.A. E.S.P. in Zona Franca Celsia S.A. E.S.P. for \$15,875, provision generated by the recognition of the devaluation of properties, plant and equipment resulting from technical appraisals. In 2011 it comprises provisions on investments of Cementos Argos S.A. in Argos USA for \$35,323, Carbones del Caribe S.A.S. for \$12,922, Point Corp for \$312, Cemento Panamá S.A. for \$3,305; Corporaciones e inversiones del Mar Caribe S.A.S in Alexios NV for \$620; Valle Cement Investments Limited in Cemex S.A. for \$422 and Celsia S.A. E.S.P. in its subsidiaries for \$22,111.
- (7) In 2012, the balance includes amortization of goodwill of Cemento Panamá S.A. for \$4,538. In 2011 it mainly includes the full amortization of the brands Fortaleza and Uno A for \$96,799, as a result of an assessment on brand use performed during the year, and the amortization of goodwill of Caricement and Domar for \$84,302, in Cementos Panamá S.A. for \$2,270 and Carbones del Caribe S.A.S. for \$2,656.
- (8) The change is due to the provision recorded in 2011 related to the update of the value of the intangible asset represented in the rights of the power purchase agreement (PPA) entered into by Empresa de Energía del Pacífico S.A. E.S.P. with Termovalle S.C.A. E.S.P. In 2012 and as a result of the termination and close-out of such agreement, this provision was cancelled.
- (9) The balance primarily is the provision recorded by Colcaribe Holdings S.A. related to negative shareholders' equity of Cement and Mining Engineering Inc. for \$3,490; at Cementos Argos S.A. for legal expenses and proceedings for \$3,179, of the agreement to assign dividends of Cemento Panamá S.A. of Colcaribe Holdings S.A. to Cementos Argos S.A. for \$6,575, administrative expenses of non-operating assets for \$6,448 (expenses in farms and all assets not used for production), agreements with Fundación Argos to mitigate the impact of operations on communities for \$4,092 and provision for shut-down and abandonment of mines of Carbones del Caribe S.A.S. for \$18,950.

Note 29 – Transactions with related parties

The following is a summary of the assets and liabilities as of December 31, 2012 and 2011, and of the revenues and expenses of the parent company related to transactions performed during the years ended on such dates with shareholders that own over 10% of the capital of the parent company, with directors and legal representatives and managers of the Company:

2012	
At year end - Assets	Legal representatives and managers
Accounts receivable	5,450
Total assets	5,450
Expenses	
Salaries	7,327
	7,327

As of December 31, 2012, there were no accounts receivable from Directors and Shareholders.

Accounts with legal representatives and managers arise from labor policies approved by the Board of Directors and with policies granted equally to all employees not covered by the benefits of the collective bargaining agreements in force; they are represented in housing loans, house remodeling loans, loans for the purchase of vehicles and loans for family emergencies, in each case under duly implemented policies and with sufficient guarantees.

The following are the transactions with related parties as of December 31, 2012:

COMPANIES	ACCOUNTS RECEIVABLE	DESCRIPTION	ACCOUNTS PAYABLE	DESCRIPTION
Andino Trading Corporation		-	887	Loan
Asesorías y Servicios Ltda. en Liquidación	209	Capitalization	-	
Carbones del Caribe Ltda. en Liquidación	-		8	Interest on loans
Cementos de Caldas S.A.	-		6,144	Purchase of 326,876 shares of Metroconcreto S.A., 1,066,625 shares of Logitrans S.A., rental fee on offices and warehouses and loans
Concesiones Urbanas S.A.	-		41	Interest on loan
Corporación de Cemento Andino C.A.	11,579	Technical consulting and loans	-	
Distribuidora Colombiana de Cementos Ltda. en Liquidación	-		425	Purchase of 225,000 shares of Corporaciones e Inversiones del Mar Caribe S.A.S and 247,745 shares of Flota Fluvial Carbonera S.A.S.
Fundiciones Colombia S.A.	3	Loan to pay taxes	431	Loan
Industrias Metalúrgicas Apolo S.A.	1,094	Loan	-	
Prevencionistas en Ambiente, Salud y Seguridad S.A.S.	-		10	Industrial safety supplies
Proservi Ltda. en Liquidación	21	Capitalization	8	Liquidation of Vigilancia Privada del Litoral Ltda.
Surandina de Puertos C.A.	-		145	Loan
Talestris Colombia S.A.S.	9		-	
Tempo Ltda.	-		61	Sale of 200,000 shares of Corporaciones e Inversiones del Mar Caribe S.A.S.
Transmarítima del Caribe Ltda. en Liquidación	284	Loan (liquidation) and interest	-	
Transportadora Alfa Ltda. en Liquidación	92	Loans to pay 2009 income tax	-	
Transportes Elman Ltda. en Liquidación	-	Loan to pay 2009 income tax	515	
Other	50		204	
Total	13,341		8,879	

2011

Year-end Assets	Legal representatives and managers
Accounts receivable	9,480
Total assets	9,480

As of December 31, 2011 there were no accounts receivable from Directors and Managers.

Accounts with legal representatives and managers arise from labor policies approved by the Board of Directors and policies granted equally to all employees not covered by the benefits of the collective bargaining agreements in force; they are represented in housing loans, house remodeling loans, loans for the purchase of vehicles and loans for family emergencies, in each case under duly implemented policies and with sufficient guarantees.

The following are the transactions with related parties as of December 31, 2011:

COMPANIES	ACCOUNTS RECEIVABLE	DESCRIPTION	ACCOUNTS PAYABLE	DESCRIPTION
Andino Trading Corporation	-		974	Loan
Asesorías y Servicios Ltda. en Liquidación	208	Capitalization	-	
Carbones del Caribe Ltda. en Liquidación	-		8	Interest on loans
Cementos de Caldas S.A.	-		5,891	Purchase of 326,876 shares of Metroconcreto S.A., 1,066,625 shares of Logitrans S.A., rental of offices and warehouses and interest on loans
Concesiones Urbanas S.A.	-		41	Interest on loan
Corporación de Cemento Andino C.A.	12,721	Technical consulting and loans	2,275	Sale of materials
Distribuidora de Cementos Ltda. en Liquidación	19	Payment of income tax paid by Cementos Argos S.A.	445	Reimbursement on refund of automatic debit on telephone lines of Dicementos S.A. en Liquidación, purchase of 3,600 shares Sociedad Portuaria La Inmaculada S.A., 4,000 of Sociedad Portuaria Las Flores S.A., 50,000 of Sociedad Portuaria Río Córdoba S.A.
Fundiciones Colombia S.A.	3		442	Loan
Flota Fluvial Carbonera S.A.S	-		4	Rental of tow vessel
Industrias Metalúrgicas Apolo S.A.	1,037	Loan	-	
Promosur S.A. en Liquidación	-		1	
Proservi Ltda. en Liquidación	20	Capitalization	8	Liquidation of Vigilancia Privada del Litoral Ltda.
Reforestadora El Guásimo S.A.	23	Collective of participation in insurance for civil liability and services	-	
Surandina de Puertos C.A.	-		159	Loan
Tempo Ltda.	-		61	Sale of 200,000 shares of Corporaciones e Inversiones del Mar Caribe S.A.S.
Transmarítima del Caribe Ltda. en Liquidación	284	Loan (liquidation) and interest	-	
Transportadora Alfa Ltda. en Liquidación	1	Loans to pay 2009 income tax.	-	
Other	3,357		1	
Total	17,673		10,310	

The above transactions were made on an arm's length basis.

In 2012 and 2011 no transactions were made with shareholders, directors and legal representatives of the following characteristics:

- a) Services for consideration or no consideration.
- b) Loans involving any obligation not corresponding to the essence or nature of the loan contract.
- c) Loans at interest rates that are different from those ordinarily charged by or paid to third parties in similar conditions of term, risk, etc.

Note 30 – Contingencies and subsequent events

Grupo Argos S.A. and its subsidiary companies

During 2012 there were no:

- 1. Inspection visits by control agencies that resulted in warnings or penalties.
- 2. Administrative, contentious or civil final and binding sanctions imposed by competent authorities of the national, departmental or municipal level.
- 3. Criminal judgments against Company officers for events occurring in performance of their duties in office.

Note 31 – Reclassification in financial statements

Certain amounts included in the financial statements as of December 31, 2011, were reclassified for presentation purposes.

Financial ratios

	2012	2011
Current ratio – times (current assets / current liabilities)	0,87	0,57
Total indebtedness (total liabilities / total assets)	34,14%	35,77%
Asset turnover - times (operating revenues / total assets)	0,25	0,23
Profitability:		
Net margin (net profit / operating revenues)	5,15%	2,66%
Return on equity (Net profit / shareholders' equity)	2,69%	1,61%
Return on total assets (Net profit / total assets)	1,28%	0,61%
Operating EBITDA	1,615,543	1,629,049
Operating EBITDA margin	24,18%	28,15%
Operating EBITDA over total shareholders' equity	12,64%	17,03%

Current ratio: It increased 53% compared to 2011 due to the reduction in short-term financial liabilities (note 11) and the increase in cash and cash equivalents and negotiable investments in current assets (note 5).

Total indebtedness: It decreased 4.6% because Company subsidiaries paid down debt.

Asset turnover: In 2012 it increased 8.7% thanks to the 15% increase in operating revenues, driven mainly by good performance of cement and power sales (note 23).

Net margin, return on equity and return on total assets: They display a substantial increase compared to 2011 mainly because of 124% growth of net profit, which in turn represents an increase in other income (note 27) and a reduction in other expenses (note 28).

Operating EBITDA: It contracted 0.8% mainly due to lower Operating EBITDA growth in the electric power business in 2012 and increases in non-recurrent administrative and sales expenses, due to new Company projects (notes 24 and 25).

Operating EBITDA margin: It decreased 14% compared to 2011, reflecting the contraction of Operating EBITDA and an increase in operating revenues by 15% (note 23).

EBITDA over total shareholders' equity: It decreased 26% compared to 2011 due to a 0.8% decrease in EBITDA and a 23% increase in shareholders' equity, arising from the valuation of assets, mainly of permanent investments (note 21).

Indicator	Formula	Meaning
Liquidity		
Current ratio (number of times)	Current assets / Current liabilities	It indicates the company's capacity to meet its short term liabilities based on its current assets.
Indebtedness		
Total indebtedness	Total liabilities / Total assets * 100	It reflects the degree of leverage in terms of creditor participation in Company assets.
Profitability		
Asset turnover (number of times)	Operating revenues/Total Assets	How much operating revenues are generated for each peso in assets. It measures the efficiency of asset use in generating operating revenues.
Net profit margin	Net profit / Operating revenues * 100	How much profit is generated for each peso of revenue, regardless of whether the income is generated by the company's operations or not.
Return on equity	Net profit / Shareholders' equity * 100	The percentage of profits over shareholders' equity. Return on shareholders' investment.
Return on total assets	Net profit / Total Assets * 100	How much profit is generated by each peso invested in total assets, regardless of how it was financed.
EBITDA	Operating profit + depreciations + amortizations	It represents the cash generated by Company operations.
EBITDA margin	Ebitda / Operating revenues * 100	It represents the amount of revenues that are converted into cash in order to cover taxes, investment and profit distributions.
EBITDA/Shareholders' equity	Ebitda / Shareholders' equity * 100	It represents the amount of cash generated by each peso of shareholders' equity in order to cover taxes, investments, debt payments and profit distributions.

Individual


Financial Statements

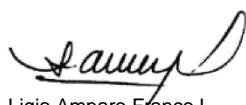
Grupo Argos S.A.

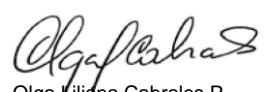
Balance sheet
As of December 31
(Millions of Colombian pesos)

ASSETS	Notes	2012	2011
CURRENT ASSETS			
Cash and cash equivalents		382,305	5,189
Negotiable investments	4	171,956	1,420
Accounts receivable, net	5	90,057	56,921
Inventories, net	6	75,111	-
Pre-paid expenses		900	-
TOTAL CURRENT ASSETS		720,329	63,530
NON-CURRENT ASSETS			
Long-term accounts receivable	5	47,143	238
Inventories, net	4	7,745,161	10,849,137
Long-term investments	6	332	-
Properties, plant and equipment, net	7	60,983	2,156
Deferred and intangible assets	8	27,129	29,572
Other assets		512	512
Asset revaluation	9	7,540,582	1,060,110
TOTAL NON-CURRENT ASSETS		15,421,842	11,941,725
TOTAL ASSETS		16,142,171	12,005,255
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Financial obligations	10	601,271	984,668
Commercial paper	13	200,000	-
Accounts payable	11	128,856	57,595
Taxes, contributions and levies	14	5,587	2,012
Labor obligations	16	1,007	776
Other liabilities	15	23,338	6,276
TOTAL CURRENT LIABILITIES		960,059	1,051,327
NON-CURRENT LIABILITIES			
Financial obligations	10	300,109	296,109
Bonds convertible into shares	12	749,248	-
Taxes, contributions and levies	14	953	1,905
Labor obligations	16	3,595	3,163
Deferred liabilities	15	67,816	-
TOTAL NON-CURRENT LIABILITIES		1,121,721	301,177
TOTAL LIABILITIES		2,081,780	1,352,504
SHAREHOLDERS' EQUITY			
Shareholders' equity, see attached statement	17	14,060,391	10,652,751
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		16,142,171	12,005,255
Memorandum accounts	18	2,274,632	8,013,197

The attached notes form integral part of the financial statements.


 José Alberto Vélez C.
 Legal Representative
 (See attached certificate)


 Ligia Amparo Franco L.
 Accounting Director
 T.P. 13072 - T
 (See attached certificate)


 Olga Liliana Cabrales P.
 Statutory Auditor
 T.P. 92873 - T
 Designated by Deloitte & Touche Ltda.
 (See attached report)

Grupo Argos S.A.

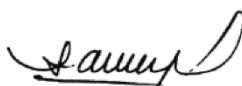
Income statement
Years ended on December 31
(Millions of Colombian pesos, except net earnings per share)

	Notes	2012	2011
Operating revenues	19	602,326	372,669
Cost of sale	20	69,673	31,823
GROSS INCOME		532,653	340,846
Operating expenses			
Equity method	4	41,725	126,145
Administrative expenses	21	41,669	13,078
Sales expenses	22	1,047	-
Allwance for investment	23	13,748	1,726
TOTAL OPERATING EXPENSES		98,189	140,949
OPERATING INCOME		434,464	199,897
OTHER NON-OPERATING INCOME (EXPENSES)			
Financial income		3,992	2,607
Financial expenses		(91,644)	(40,467)
Foreign exchange difference		(8,844)	(5,734)
Other income	24	15,870	2,586
Other expenses	25	(7,861)	(4,161)
INCOME BEFORE INCOME TAX		345,977	154,728
Income tax provision	14	2,039	1,071
NET INCOME		343,938	153,657
Net income per share		465,75	238,08

The attached notes form integral part of the financial statements.



José Alberto Vélez C.
Legal Representative
(See attached certificate)



Ligia Amparo Franco L.
Accounting Director
T.P. 13072 - T
(See attached certificate)



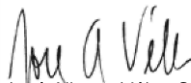
Olga Lilianna Cabrales P.
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Designated by Deloitte & Touche Ltda.
(See attached report)

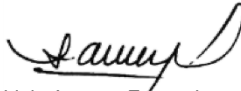
Grupo Argos S.A.

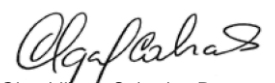
Statement of changes in shareholders' equity
 Years ended on December 31
 (Millions of Colombian pesos)

	Share capital	Additional Paid – in Capital	Equity method	Legal Reserve	Reserve for future expansion and investments	Statutory reserves	Other reserves	Total reserves	Shareholders' equity revaluation	Retained earnings	Income for the period	Asset revaluation surplus	Total shareholders' equity
BALANCES AS OF DECEMBER 31, 2010	40,694	553	6,438,658	20,347	1,722,299	-	5,988	1,748,634	653,949	-	388,333	1,679,484	10,950,305
Appropriations approved by the Shareholders' General Meeting	-	-	-	-	259,253	-	-	259,253	-	(259,253)	-	-	-
Dividends issued in cash	-	-	-	-	-	-	-	-	-	(129,080)	-	-	(129,080)
Equity tax	-	-	-	-	-	-	-	-	(3,812)	-	-	-	(3,812)
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	388,333	(388,333)	-	-
Equity method	-	-	301,055	-	-	-	-	-	-	-	-	-	301,055
Valuation adjustment	-	-	-	-	-	-	-	-	-	-	-	(619,374)	(619,374)
Income for the period	-	-	-	-	-	-	-	-	-	-	153,657	-	153,657
BALANCES AS OF DECEMBER 31, 2011	40,694	553	6,739,713	20,347	1,981,552	-	5,988	2,007,887	650,137	-	153,657	1,060,110	10,652,751
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	153,657	(153,657)	-	-
Dividends issued in cash	-	-	-	-	-	-	-	-	-	(166,040)	-	-	(166,040)
Issue of preferred shares	8,613	26,531	-	-	-	-	-	-	-	-	-	-	35,144
Absorption by spin-off	-	-	(3,470,691)	9,318	163,427	-	427	173,172	145,361	-	-	5,444,890	2,292,732
Appropriations approved by the Shareholders' General Meeting	-	-	-	-	(91,383)	79,000	-	(12,383)	-	12,383	-	-	-
Conversion of mandatory convertible bonds to preferred shares	2	750	-	-	-	-	-	-	-	-	-	-	752
Dividends from conversion of mandatory convertible bonds	-	-	-	-	-	(2)	-	(2)	-	-	-	-	(2)
Equity method	-	-	(134,466)	-	-	-	-	-	-	-	-	-	(134,466)
Valuation adjustment	-	-	-	-	-	-	-	-	-	-	-	1,035,582	1,035,582
Income for the period	-	-	-	-	-	-	-	-	-	-	343,938	-	343,938
BALANCES AS OF DECEMBER 31, 2012	49,309	27,834	3,134,556	29,665	2,053,596	78,998	6,415	2,168,674	795,498	-	343,938	7,540,582	14,060,391

The attached notes form integral part of the financial statements.


 José Alberto Vélez C.
 Legal Representative
 (See attached certificate)


 Ligia Amparo Franco L.
 Accounting Director
 T.P. 13072 - T
 (See attached certificate)


 Olga Liliana Cabrales P.
 Statutory Auditor
 T.P. 92873 - T
 Designated by Deloitte & Touche Ltda.
 (See attached report)

Grupo Argos S.A.

Statement of changes in financial position
Years ended on December 31
(Millions of Colombian pesos)

	2012	2011
FINANCIAL RESOURCES PROVIDED BY:		
Net income	343,938	153,657
WORKING CAPITAL PROVIDED BY OPERATIONS	343,938	153,657
FINANCIAL RESOURCES FROM OTHER SOURCES		
Dividends received in cash from controlled investments	160,068	152,562
Sales of property and equipment	19,809	-
Sale of permanent investments	107,019	244,757
Reduction (increase) in deferred and intangible assets	614	(33)
Increase (reduction) in long-term financial liabilities	4,000	(155,060)
Issue of bonds mandatory convertible into shares	750,000	-
Increase in long-term labor liabilities	432	245
Increase in other long-term liabilities	67,816	-
Effect of absorption on short-term items	87,511	-
TOTAL OF FINANCIAL RESOURCES PROVIDED	1,541,207	396,128
THE RESOURCES WERE USED FOR:		
(Add) less (debit) credit to income not affecting working capital:		
Participation in profits of subsidiary companies	349,619	(24,243)
Depreciation of properties and equipment	(183)	(192)
Provision on investments	(13,748)	(1,726)
Provisions recovery on non-current assets	199	296
Gain in sale of properties and equipment	1,832	-
Gain in sale of permanent investments, net	55,230	212,934
Amortization of intangible assets	(1,829)	(1,810)
FINANCIAL RESOURCES USED FROM OTHER SOURCES		
Increase in long term accounts receivable	46,905	238
Decreed dividends	166,040	129,080
Appropriation of reserve to pay dividends from conversion of mandatory convertible bonds	2	-
Acquisition of properties and equipment	28,591	100
Acquisition of permanent investments	159,198	983,770
Increase in long-term inventories	332	-
Transfer of equity tax to short term	952	1,907
TOTAL OF FINANCIAL RESOURCES USED	793,140	1,300,354
INCREASE (DECREASE) IN WORKING CAPITAL	748,067	(904,226)
CHANGES IN WORKING CAPITAL COMPONENTS		
Cash	377,116	4,949
Negotiable investments	170,536	368
Accounts receivable, net	33,136	22,819
Inventories	75,111	-
Pre-paid expenses	900	-
Financial obligations	383,397	(919,808)
Commercial paper	(200,000)	-
Accounts payable	(71,261)	(13,678)
Taxes, contributions and levies	(3,575)	1,082
Labor obligations	(231)	240
Other liabilities	(17,062)	(198)
INCREASE (DECREASE) IN WORKING CAPITAL	748,067	(904,226)

The attached notes form integral part of the financial statements.



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Grupo Argos S.A.

Cash flow statement
Years ended on December 31
(Millions of Colombian pesos)

	2012	2011
CASH FLOW IN OPERATIONAL ACTIVITIES:		
Net income	343,938	153,657
Participation in profits of subsidiary companies	(349,619)	24,243
Dividends from long-term investments	145,888	152,564
Depreciation of properties and equipment	183	192
Gain in sale of properties and equipment	(1,832)	-
Gain in sale of permanent investments, net	(55,230)	(212,934)
Provision on investments	13,748	1,726
Provision recovery on assets	(201)	(296)
Amortization of intangible assets	1,829	1,810
NET CASH PROVIDED BY OPERATING ACTIVITIES	98,704	120,962
CHANGES IN OPERATIONAL ASSETS AND LIABILITIES		
Accounts receivable	(16,877)	(23,059)
Inventories	(18,355)	-
Pre-paid expenses	(900)	-
Accounts payable	71,261	13,678
Taxes, contributions and levies	2,623	823
Labor obligations	663	5
Other liabilities	66,319	198
CASH PROVIDED BY OPERATIONAL ACTIVITIES	203,438	112,607
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Proceeds from sale of properties and equipment	19,809	-
Proceeds from sale of permanent investments	107,019	244,757
Acquisition of long-term investments	(159,198)	(983,770)
Reduction (increase) in deferred and intangible assets	614	(33)
Acquisitions of property and equipment	(28,591)	(100)
NET CASH USED IN INVESTMENT ACTIVITIES	(60,347)	(739,146)
CASH USED IN FINANCING ACTIVITIES:		
Dividends issued	(166,040)	(129,080)
Appropriation of reserves to pay dividends and conversion of mandatory convertible bonds	(2)	-
(Decrease) increase in financial obligations	(379,397)	764,748
Issuance of bonds obligatorily convertible into shares	750,000	-
Commercial paper	200,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	404,561	635,668
Net increase in cash and cash equivalents	547,652	9,129
Items that do not affect cash		
Conversion of mandatory convertible bonds	(752)	-
Issuance of preferred shares	752	-
Equity tax	-	(3,812)
Cash and cash equivalents at the start of the year	6,609	1,292
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	554,261	6,609
CASH EQUIVALENTS		
Cash	382,305	5,189
Negotiable investments	171,956	1,420
CASH AND CASH EQUIVALENTS	554,261	6,609

The attached notes form integral part of the financial statements.



José Alberto Vélez C.
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(See attached certificate)



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T.P. 13072 - T
(See attached certificate)



Olga Liliانا Cabrales P.
Statutory Auditor
T.P. 92873 - T
Designated by Deloitte & Touche Ltda.
(See attached report)

Certification by the Legal Representative

Medellin, February 22nd, 2013

To the Shareholders of Grupo Argos S.A. and the public in general

In my capacity of Legal Representative I certify that the individual financial statements as of December 31, 2012 that have been published are free from inaccuracies, misstatements or material errors that would prevent knowing the true financial situation or the operations performed by Grupo Argos S.A. during the corresponding time period.


José Alberto Vélez C.
Legal Representative

Certification by the Legal Representative and Director of Accounting of the Company

Medellin, February 22nd, 2013

To the Shareholders of Grupo Argos S.A.

The undersigned Legal Representative and Accounting Director of Grupo Argos S.A. certify that the consolidated financial statements of the Company as of December 31, 2012 and 2011 have been faithfully taken from the books and that before making them available to you and to third parties we have verified the following statements therein contained:

- f) All assets and liabilities contained in the consolidated financial statements of the Company as of December 31, 2012 and 2011 exist and all transactions included in the financial statements have been carried out in the years ended on said dates.
- g) All economic facts of the Company and its subsidiaries during the years ended on December 31, 2012 and 2011 have been recognized in the financial statements.
- h) Assets represent probable future economic benefits (rights) and liabilities represent probable future economic commitments (obligations), acquired or due by the Company as of December 31, 2012 and 2011.
- i) All items have been recognized for the appropriate amounts according to the Generally Accepted Accounting Principles of Colombia.
- j) All economic events that affect the Company and its subsidiaries have been correctly classified, described and disclosed in the financial statements.



José Alberto Vélez C.
Legal Representative
(See attached certificate)



Ligia Amparo Franco L.
Accounting Director
T.P. 13072 - T
(See attached certificate)



Statutory Auditor's report

To the shareholders of
GRUPO ARGOS S.A. (previously Inversiones Argos S.A.):

I have audited the balance sheets of GRUPO ARGOS S.A. as of December 31, 2012 and 2011 and the accompanying statements of income, changes in equity, changes in financial position and cash flow for the years then ended, and the summary of the major accounting policies and other explanatory notes.

Management is responsible for the preparation and accurate presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Colombia. This responsibility includes: designing, implementing and maintaining an adequate internal control system for the preparation and presentation of financial statements 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.

My responsibility is to express an opinion on these financial statements based on my audits. I obtained the information necessary to comply with my duties and carry out my audit in accordance with auditing standards generally accepted in Colombia. Such standards require that I 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 examining, on a selective basis, the evidence supporting the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risk of material misstatements in the financial statements. In making that risk assessment, the auditor considers the Company's internal control relevant to the preparation and reasonable presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis to express my opinion

In my opinion, the financial statements referred to above, reasonably present, in all material respects, the financial situation of GRUPO ARGOS S.A. as of December 31, 2012 and 2011, and the results of its operations, the changes in its equity, the changes in its financial position, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Colombia, applied uniformly.

As mentioned in Note 1 to the financial statements, on May 30, 2012, Grupo Argos S.A. increase its equity in COP\$2.3 trillion due to the spin-off of its subsidiary Cementos Argos S.A. This transaction affect the comparability of the financial statements attached.

Furthermore, based on the scope of my audits, I report that the Company has maintained its accounting in accordance with the legal rules and accounting technique; the transactions recorded in the accounting books and the acts by management conform to the bylaws and the decisions of the Shareholders' Meeting and the Board of Directors; the correspondence, accounting vouchers and the books of minutes and the shareholder ledger are duly kept and preserved; the management report from the administrators is in due conformity with the financial statements; the Company is not in default in the payment to contributions to the Integral Social Security System, and mechanisms for money laundering prevention and control have been implementing in accordance with External Circular No. 60 of 2008 from the Superintendence of Finance. My assessment of the internal control system, performed with the purpose of defining the scope of my audit tests, did not indicate that the Company has failed to follow adequate internal control and the preservation and custody measures of its assets and those of third parties that are in its possession.

These financial statements and notes to the financial statements were translated into English, from statements originally issued in Spanish, for the convenience of readers. All amounts are stated in millions of Colombian Pesos (COP\$). The consolidated financial statements are presented on the basis of accounting principles generally accepted in Colombia. Certain accounting principles applied by the Company that conform to the generally accepted accounting principles applied in Colombia may not conform to generally accepted accounting principles applied in other countries.



OLGA LILIANA CABRALES PINTO

Statutory Auditor

T.P. 92873 - T

Designated by Deloitte & Touche Ltda

February 22, 2013.

Notes to the consolidated financial statements

Grupo Argos S.A.

As of December 31, 2012 and 2011

(Millions of Colombian pesos, except when indicated otherwise)

Note 1 – Reporting Entity

Grupo Argos S.A. (previously Inversiones Argos S.A.) was established according to Colombian law on February 27, 1934 (hereinafter the “Company”)

The Company’s corporate purpose is to invest in all types of fixed and chattel assets and real estate property, especially in shares, stocks or parts of interest or any other type of equity securities in companies, entities, organizations, funds or any other lawful form that allows investment of funds. Also the Company may invest in securities or documents of fixed or variable income, whether or not registered in a public exchange. In any cases, issuers and/or receivers of the investment may be domestic or foreign organizations of public, private or mixed nature.

The Company may create civil or trading companies of any nature, or participate as partner in formerly established companies. The partnership permitted by this clause include companies whose corporate purpose is different from the Company's corporate purpose, provided it is convenient to its interests.

Additionally, the Company has sufficient capacity to carry out activities related to quarrying for the cement industry and the production of concrete mixes and other materials or articles based on cement, lime or clay, to acquire and transfer minerals or mineral deposits usable for the cement industry and similar businesses, and of rights to explore and exploit the above minerals, either through concession, privilege, lease or any other arrangement, provide port services, act as contractor, builder, consultant, overseer, designer or project implementer for civil works or of any other type, with any public or private entity. The establishment of factories, stores and agencies to produce, store, distribute and sell its products and the acquisition, exploitation and transfer of raw materials, machinery and devices to carry out its corporate objectives or that tend towards its development.

The Company registered in Medellin and its duration is until February 27, 2033.

By means of public deed No. 2503, registered at the Chamber of Commerce of Medellin on May 30 of 2012, the spin-off by absorption was

formalized, whereby Grupo Argos S.A. received from Cementos Argos S.A. the net assets related to the real estate, port and coal businesses

and issued in favor of the shareholders of Cementos Argos S.A. other than Grupo Argos S.A. 137,802,657 preferred shares with no voting rights, following approval by the General Assembly of Shareholders on November 24, 2011 and by the Superintendence of Finance through Resolution 616 of April 26, 2012.

The assets received by Grupo Argos S.A. include:

Accounts receivable	48,982
Inventory – urban real estate development	57,088
Investments in shares and valuations	3,319,313
Property and equipment, net and valuations	2,527,321
Liabilities	(18,556)
Total net assets absorbed	5,934,148
Reduction of the investment in Cementos Argos S.A.	(3,606,272)
Net effect on shareholders' equity	2,327,876

The absorption of assets is part of the transformation of the Company into an Infrastructure Holding Company that is involved in the definition and development of the strategy of the companies with businesses in cement and energy, and in structuring of ports, real estate and coal businesses.

By means of public deed number 2952 of June 20, 2012, the Company changed its name to Grupo Argos S.A.

Note 2 – Significant accounting policies and practices

To prepare its financial statements, the Company, by legal mandate, is required to use the Generally Accepted Accounting Principles in Colombia, as established by the Superintendence of Finance. The main accounting policies and practices adopted by the Company to this effect are described below.

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

Accounting year

The Company's bylaws establish that the cut-off date of the accounts for the preparation and publication of general purpose financial statements is once a year, as of December 31.

Consolidation of financial statements

Grupo Argos S.A. is the parent company of Grupo Empresarial Argos.

The attached financial statements do not consolidate the assets, liabilities, shareholders' equity or results of the subsidiary companies. The investments in these companies are recorded using the equity method, as explained below. These financial statements are presented to the General Meeting of Shareholders and which are the basis for distribution of dividends and making other appropriations. Additionally, the Code of Commerce requires the preparation of consolidated general purpose financial statements, which are also submitted to the General Meeting of Shareholders for approval

According to rules issued by the Superintendence of Finance, the consolidated financial statements include the accounts of companies that fulfill any of the following conditions:

- a) If more than 50% of its capital is owned by the Company, directly or through or with the assistance of its subsidiaries, or of their subsidiaries. To this effect, shares with preferred dividends or without voting rights are not counted.
- b) If the Company and its subsidiaries have, jointly or separately, voting rights that represent the minimum deciding majority on the Board of Partners or in the General Assembly of Shareholders, or have the number of votes required to elect a majority of the members of the Board of Directors, when such a Board exists.
- c) If the Company, either directly or through or with its subsidiaries, by virtue of an act or negotiation with the controlled company or its partners, exercises dominant influence in the decisions of the company's management bodies.

The consolidated financial statements are prepared according to the Generally Accepted Accounting Principles in Colombia. Management is required to make estimations and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as of the date of the financial statements, and the revenue and expenses figures reported during the period being reported. Actual results may differ from such estimations.

According to the rules for the preparation of consolidated financial statements, the balances and transactions between group companies are eliminated.

The financial information of the subsidiaries consolidated by Grupo Argos S.A. is prepared, inasmuch as possible, based on the same accounting criteria and methods. Said information is taken as of the cut-off date of December 31, which is the date established by the Company for closing out its accounts and presenting its financial statements according to its bylaws and by what is prescribed in article 9 of Decree 2649 of 1993.

Given that companies abroad prepare their financial statements according to International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles of the United States (USGAAP), using a body of consistent and high-quality accounting principles, and given that such structure of principles is considered adequate as a technical source of reference on accounting technique in Colombia, such subsidiaries do not make any substantial adjustments to their financial statements, nor do they unify accounting policies, except in the case of principles that run against the principle of substance over form.

Substance above legal form

The consolidated companies recognize and disclose resources and economic facts based on their substance or economic reality, and not only on the grounds of their legal form, and for this reason they apply the accounting principles in a manner that enables adequate recognition of the economic facts of each country they operate in.

Translation of financial statements

Colombian regulations do not provide a technical framework regarding acceptable translation methods, though they do indicate, given the absence of such a framework, the appropriateness of referring to the rules of a higher body. To this effect, for translation purposes, it has been decided to follow the guidelines of the International Financial Reporting Standards (IFRS), and specifically International Accounting Standard (IAS) 21: "The Effects of Changes in Foreign Exchange Rates".

In this sense, the financial statements of foreign companies whose currency is not the US dollar or any other currency tied to the US dollar are translated from the currency of the country of origin into dollars of the United States pursuant to the methodology established in IAS 21, as follows:

- Assets and liabilities are translated at the exchange rate in effect as of the closing date.
- The equity accounts are converted using the exchange rates applicable on each of the dates in which the transactions occurred. In the case where companies were not able to provide any historical information, their corresponding equity was converted at the exchange rate applicable at the closing exchange rate of December 2005.

- Income statement accounts are converted at the exchange rate in effect on the dates on which the transactions occurred. If this is not possible, the average exchange rate for each month is used.
- Differences in translation are posted in shareholders' equity through the accumulated translation differences account, which represents the differences between the translation of items in the income statement at the average exchange rate, and the translation of balance sheet items at year-end rates.

In turn, amounts denominated in United States dollars are translated into Colombian pesos at the market representative exchange rate in effect at the end of the year, as certified by the central bank.

Inflation adjustments

Decree 1536 of May 7, 2007 amended decrees 2649 and 2650, in the sense of eliminating comprehensive inflation adjustments in financial statements.

The decree establishes that adjustments for inflation recorded between January of 1992 and December 31 of 2006 shall remain as part of the balances of the respective accounts.

The balance in the shareholders' equity revaluation account (inflation adjustments) cannot be distributed until the company is dissolve or until the balance is capitalized. In the event of capitalization, it can be used to offset losses if the company incurs in cause for dissolution; but under no circumstances may it be used for reimbursements of invested capital. In the event it has a debit balance, it may be offset against current or previous year results, subject to the regulations on profits established in the Code of Commerce.

Decree 514 of February, 2010, offered the option of offsetting the annual equity tax installments established in Law 1370 of 2009 against the shareholders' equity revaluation account. This option has been used by the Company, which has recorded the equity tax to this account for the years 2011 to 2014.

Negotiable and long-term investments

Superintendence of Finance regulations require that investments be classified and accounted for as follows:

- a) Investments that the Company has the serious purpose of held for their full term to redemption or maturity, and for a period of minimum three years when the maturity date is greater or when they have no maturity date, are classified as long-term investments. These investments are recorded and valued prospectively as follows:
- Debt investments or securities embodying debt rights (non-equity securities) with either fixed or variable rates are initially recorded at acquisition cost, and are then valued monthly based on the internal rate of return of each security calculated at the time of purchase. Any resulting adjustments are posted against results.
 - Investments in variable income stocks or shares (equity securities) in non-controlled entities are recorded at cost adjusted for inflation, and adjusted to market value on a monthly basis. The resulting adjustment, either positive or negative, is posted to the revaluations account with a debit or credit to the shareholders' equity revaluations surplus account, as appropriate. The market price for securities of high or medium negotiability, as rated by the Superintendence, of Finance is established based on their average trading price in the securities markets over the latest 10 to 90 days, based on certain parameters established by such Superintendence. The market price of securities of low or minimum negotiability, or of non-listed shares, is established based on the latest financial statements published by the issuer of the security.

- Investments in subsidiary companies in which the Company directly or indirectly holds over 50% of the company's capital, are recorded using the equity participation method applied prospectively starting on January of 1994. According to this method, investments are recorded at cost and adjusted, with a debit or credit to results, as appropriate, to recognize the participation in the profits or losses of the subsidiary companies that have occurred starting on January 1, 1994, following elimination on unrealized gains between the subsidiaries and the Company (unrealized gains between the parent and subsidiary companies are neither eliminated nor deferred). In the case of subsidiaries acquired during the year, increases or reductions in the shareholders' equity of the subsidiary that arise from the year's results, are treated for the effects of the equity participation method according to what is established in Opinion No. 2010074197-001 of November 30, 2010 of the Superintendence of Finance, which establishes that all the profits or losses generated during the fiscal year must be taken. Investments in companies in which the Company holds joint control are accounted for using the equity participation method. Joint control is defined as a situation in which two or more persons control one or more companies, and express a desire to act jointly, through circumstances such as joint participation in the capital of several companies, the coincidence of legal representation positions in said companies, acting as a "voting bloc" in corporate bodies, etc.

Income distributions in cash received from these companies before December 31, 1993, were recorded as revenues, and those received after said date were recorded as a lesser value of the investment. Additionally, the proportional participation of variations in other shareholders' equity accounts, other than the current year's results, are recorded as a greater value of the investments by charging the surplus by participation method account in shareholders' equity. Once the participation method has been recorded, if the intrinsic value of the investment is lower than book value, a provision is posted and charged to results.

Any excess in intrinsic value above the book value of the investment at the end of the year is recorded separately under asset valuations, with an offsetting entry to the valuations surplus account in shareholders' equity.

- b) Investments represented in easily marketable securities which the Company has the serious intent of selling within the next three years to a third party are classified as negotiable investments. These investments are initially recorded at cost and adjusted monthly to market value with a credit or debit against results, as appropriate. The market price is determined as indicated in the previous section for each type of investment.

Provision for doubtful debts

The provision for doubtful debts is reviewed and updated at the end of each year, based on an analysis of the ages of balances and an assessment of the collectability of individual accounts. From time to time charges are made to the provision for amounts considered to be uncollectable.

Inventories

Since 2012, inventories include urban development works and land for development. All costs incurred in the preparation of lands until they are ready for use are recorded.

Properties and equipment

Properties and equipment are recorded at cost, and when appropriate they include finance expenses and exchange rate differentials on foreign currency liabilities incurred for their acquisition up to the point when they are in usable conditions.

Property valuation taxes are recorded as a greater value of the properties.

Sales and disposals of these assets are recorded at their respective net adjusted cost. The difference between the sale price and the net adjusted cost is charged directly to the income statement.

Depreciation is calculated using the straight line method, based on the probable useful life of the assets, as follows: 5% per year for constructions and buildings, 10% for furniture and office equipment, and 20% for transportation, computer and communications equipment.

Property and equipment subject to depreciation whose cost is equal to or lower than three monthly minimum wages are depreciated within the same year in which they were acquired, regardless of their useful life.

Asset repairs and maintenance are charged to the income statement, whereas improvements and additions are added to the asset's cost.

Deferred assets

This account includes pre-paid expenses and deferred charges. Pre-paid expenses include subscriptions, which are amortized in straight line over 12 months. Deferred charges primarily include computer programs, rights in real estate trusts, charges for projects, and improvements in third party properties. They are amortized in straight line between 3 and 5 years.

Intangible assets

Intangible assets are carried at acquisition cost and represent the value of acquired goodwill received through the purchase of permanent investments and exploitation rights (concessions and franchises). Goodwill is amortized using the straight line method, whereas exploitation rights are amortized over the time period of the license or the time the deposits are to be exploited, whichever is lowest, estimated at between 3 and 30 years.

The following is the policy on goodwill:

Acquired goodwill

In Colombia, the additional amount paid over the intrinsic value certified by the relevant company upon the purchase of shares, stocks or interest in an active economic entity is recorded under acquired goodwill when control has been acquired, as set forth in sections 260 and 261 of the Code of Commerce, amended by sections 26 and 27 of Law 222 of 1995 and other regulations that modify, add to or supersede it.

Pursuant to joint circular letters 007 of 1997 and 011 of 2005 issued by the Superintendence of Finance, the amortization of goodwill arising from the merger of businesses in Colombia is estimated using the straight line method based on the estimated exploitation time of the intangible asset, which in no event shall be more than 20 years.

At the closing of each accounting period or the closing of the month that is being taken as the basis for preparation of extraordinary financial statements, the Company assesses the goodwill originated from each investment, in order to verify its adequacy as part of the balance sheet.

In other countries where related companies have operations, goodwill is estimated based on the accounting regulations applicable in those countries, in the framework of a higher standard pursuant to Accounting Principles Generally Accepted in Colombia and the guidelines of the Superintendence of Finance, in accordance with what is set forth in section 11 of Decree 2649 of 1996 regarding substance over legal form.

Derivative financial instruments

In the ordinary course of business, the Company is exposed to various financial market risks, which are managed by means of derivative financial instruments. Such risks may be summarized as follows:

Strategic risk: The risk of a difference between the benefits expected from a strategy and the results obtained.

Market risk: The risk the Company faces due to changes in market prices.

Liquidity risk: The risk of losses due to: I) Failure to fulfill payments due to difficulties in obtaining liquidity. II) Impossibility of taking or unwinding a position in derivatives due to the absence of a market.

Credit risk: The risk of losses arising by default by the counterparty.

Operational risk: The risk of losses the Company is exposed to due to errors in its record-keeping and/or valuation systems, or poor design of a proper limit system, inappropriate review of contracts or inadequate management information system.

The company also periodically marks its derivatives to market values as part of its administrative controls.

The Company manages the above risks through forward arrangements:

Forward arrangements

They are used to cover the exchange rate risk in debt and investment transactions in foreign currency, as well as to cover future cash flows with high probability of occurrence. At the end of each period, they are valued by discounting the forward rate at the agreed devaluation rate, and then comparing this present value to the market representative exchange rate as of the closing date. Any positive or negative difference is recorded in the income statement.

Valuations

These relate to:

- c) Differences between the book value of investments in stocks or shares at the end of the period and the market or intrinsic value of the investments.
- d) Differences between the technical appraisals of property, plant and equipment and their respective net cost. Such appraisals were performed by independent experts, on the basis of their replacement and impairment values, in 2011. These appraisals are updated every three years.

Labor obligations and retirement pensions

Labor obligations are adjusted at the closing of each period based on current regulations and outstanding labor agreements.

Pension liabilities represent the present value of all future expenditures that the Company will have to pay its retired personnel or their beneficiaries, which mainly relates to employees with seniority. The relevant charges to annual results are made based on actuarial studies in compliance with current regulations, prepared under methods such as the actuarial equivalence system for vested annuities, immediately due and forecast fractioned annuities.

Pension payments made during the year are charged directly to the income statement.

In the case of employees covered by the new social security regime (Law 100 of 1993), the Company complies with its pension obligations by paying contributions into the Social Security Institute (ISS) and/or the private pension funds in the terms and conditions set forth in the above-mentioned law.

Taxes, contributions and levies

They represent the value of general mandatory taxes payable to the Government by the Company, estimated on the basis of self-prepared tax returns for the respective fiscal years. They include, among others, the income and supplementary tax, the equity tax and the industry and trade tax.

The Company determines the income tax provision either on the grounds of taxable income estimated at the rates provided for in tax law, or on the grounds of the presumptive income system. The tax effects of revenues, costs and expenses corresponding to temporary differences between accounting and tax reporting figures are carried as deferred taxes. However, in the case of debit deferred taxes they are only carried as revenues when related to temporary differences that entail payment of a higher tax during the current year, provided there is a reasonable expectation of generating enough taxable income in the periods during which the tax benefit is to be obtained.

Recognition of the equity tax established through Emergency Decree number 4825 of December, 2010, has been fully posted against the shareholders' equity revaluation account, according to what is set forth in Decree 514 of 2010.

Memorandum accounts

Contingent rights and obligations, such as the value of assets and securities delivered as collateral, unused letters of credit, assets and securities received in custody or as collateral, purchase-sale promises, fully depreciated assets and the capitalization of shareholders' equity revaluation are recorded in memorandum accounts. Tax memorandum accounts are used to record differences between accounting figures and the figures used for tax purposes.

Translation of foreign currency transactions and balances

Transactions in foreign currency are recorded at the appropriate exchange rates in effect as of the date of the transaction. At the end of each period, the balances payable or receivable and investments in foreign currency are adjusted at the market representative exchange rate as certified by the Central Bank. As regards accounts receivable or payable in foreign currency, exchange differences are recorded against income provided the exchange differences are not related to the cost of acquisition of assets.

Foreign exchange differences that occur while assets are under construction or assembly and until they are ready for use are included in the acquisition cost of the asset.

As from 2007, pursuant to Decree 4918 of the same year, the exchange difference of variable income investments in foreign subordinated companies is carried as a higher or lower value of equity in the equity participation surplus method.

Recognition of revenues, costs and expenses

Income from the sale of investments is recognized when the transaction is completed; income from the real estate business is recognized when the deed on the land or the urban development works is issued; rental income is recognized in the month it accrues, and services income is recognized when the services are rendered. Dividends are recognized when they are decreed by the issuer.

All revenues, costs and expenses are recorded on an accrual basis.

Cash flow statement

The attached cash flow statements were prepared using the indirect method, which includes a reconciliation of the net income for the year to the net cash provided by operating activities.

Cash and cash equivalents

Cash available on hand and cash in banks, savings deposits and all high-liquidity investments are deemed cash and cash equivalents.

Materiality in the preparation of financial statements

Preparing the financial statements pursuant to generally accepted accounting principles in Colombia requires Management to make estimates and assumptions that have an impact on the amounts of assets and liabilities reported on the closing date of financial statements and the amounts of revenues and expenses reported during the relevant period. The materiality threshold used for the financial statements as of December 31, 2012 and 2011 was established based on 10% of pre-tax income for the period and 1% of assets and shareholders' equity.

Net profit per share

Net income per share is calculated based on the weighted annual average of subscribed and outstanding Company shares during the year. Repurchased own shares are excluded for the effects of this calculation. It includes the depuration of the preference dividends on 137,838,001 shares as of December 31, 2012, in the amount of \$4 per share.

In 2012 average shares outstanding were 737,271,383 (2011 – 645,400,000).

Contingencies

There may be certain contingent conditions as of the date of issuance of the financial statements, which could result in losses for the Company, but will only materialize in the future upon the occurrence or potential occurrence of one or more events. Such contingencies are estimated by Management and its legal counsels. The estimation of loss contingencies necessarily implies use of judgment and is a matter of opinion. In estimating the loss contingencies in legal proceedings against the Company, the legal counsels assess, among others, the merits of the claims, the jurisprudence of the courts on the subject matter and the current status of the legal proceedings.

Should the contingency assessment indicate the probability of a material loss and the liability can be estimated, it is recorded in the financial statements. Should the assessment indicate that a potential loss is not probable or is probable to occur but the result is uncertain or the amount of the loss cannot be estimated, the nature of the contingency is disclosed in a note to the financial statements. Loss contingencies estimated as remote generally are not disclosed.

Convergence towards International Financial Reporting Standards

In compliance with what is stipulated in Law 1314 of 2009 and regulatory decrees 2706 and 2784 of December of 2012, the Company is required to begin the process of convergence from the Generally Accepted Accounting Principles in Colombia to the International Financial Reporting Standards (IFRS). To this effect, the Technical Council of Public Accounting has issued a Technical Directive classifying companies into three groups.

Given that the Company belongs to Group 1, the mandatory transition period begins on January 1, 2014, and the first comparative financial statements under IFRS will be issued as of December 31, 2015.

Group 1 Companies must submit an IFRS implementation plan to the Superintendence of Finance by February 28, 2013.

Note 3 - Foreign currency transactions

Regulations in Colombia allow the free trading of foreign currencies through banks and other financial institutions at freely set exchange rates. Nevertheless, most foreign currency transactions still require that certain legal requirements be met.

Transactions and balances in foreign currency are translated at the market representative exchange rate certified by the Central Bank, which was used to prepare the financial statements as of December 31, 2012 and 2011. The market representative exchange rate as of December 31, 2012 was COP \$1,768.23 (2011 - \$1,942.70) per US\$1.

At December 31st, the Company had the following net position in foreign currency, mainly in dollars, recorded at their equivalent in millions of Colombian pesos:

	2012		2011	
	Dollars	Millions of pesos	Dollars	Millions of pesos
Current assets	15,220	27	5,296	10
Non-current assets (1)	15,009,000	26,539	9,000	17
	15,024,220	26,566	14,296	27
Current liabilities	(203,509,426)	(359,851)	(5,925)	(12)
Net asset (liability) position	(188,485,206)	(333,285)	8,371	15

(1) Balance of permanent investments

Note 4 - Negotiable and long-term investments

Negotiable investments as of December 31 included the following:

	Average annual rate in 2012 (%)	2012	2011
Trust fund rights (1)		47,310	1,389
Certificates (2)		110,251	-
Repurchase rights (3)		14,390	-
Deposits in funds and other	5.82%	5	31
Total negotiable investments		171,956	1,420

None of these investments have any restrictions that would limit their use.

- (1) In 2012, the balance comprises pooled portfolios managed by Valores Bancolombia S.A.
- (2) Certificates comprises a CD with Banco Caja Social BCSC S.A. for \$50,000 at a rate of 5.50% E.A., and with Valores Bancolombia S.A. for \$60,251 at a rate of 5.75% E.A.
- (3) The balance comprises repurchase rights with Valores Bancolombia S.A. with terms of 30 and 90 days, at an average rate of 5.9% E.A.

Permanent investments as of December 31 included the following:

2012	Domicile	Business	Valuation	Shares outstanding	No. of shares	Type of share	Adjusted cost	Market Price	Percentage held	Provision	Participation in results	Revaluation (devaluation)
A. SHARES												
In controlled companies												
Carbones del Caribe S.A.S.	Medellin	Coal mining	I	8,075,998	7,814,578	0	53,917	27,319	96,8	26,598	(37,693)	-
Celsia S.A. E.S.P.	Medellin	Electric power supply	I	719,584,500	361,051,665	0	1,366,671	1,457,790	50,2	-	115,784	91,119
Cementos Argos S.A.	Barranquilla	Cement & related products	I	1,151,672,310	698,806,652	0	3,467,899	3,467,899	60,7	-	236,231	-
Compañía de Puertos Asociados S.A. - COMPAS S.A.	Bogotá	Port services	I	4,293,723,535	1,933,928,474	0	131,074	125,893	45,0	5,181	1,650	-
Concretos Argos S.A.	Bogotá	Concrete and mixes	I	9,231,063	2	0	-	-	0,0	-	-	-
Empresa de Energía del Pacífico S.A. E.S.P. - EPSA	Yumbo	Electric power supply	I	346,701,360	41,134,405	0	409,652	345,257	11,9	64,395	32,910	-
Internacional Ejecutiva de Aviación S.A.S.	Medellin	Air transportation	I	3,350,000	3,350,000	0	878	789	100,0	89	(2,615)	-
Inversiones El Duero S.A.S.	Medellin	Financial	I	21,077,050	21,077,050	0	188,122	188,122	100,0	-	2,638	-
Inversiones FortCorp S.A.S.	Bogotá	Construction	I	339,956	339,956	0	100,788	100,788	100,0	-	-	-
Inversiones RoundCorp S.A.S.	Medellin	Construction	I	824,484	824,484	0	42,290	42,290	100,0	-	(91)	-
	British Virgin Islands											
Merger Link Corp.	Islands	Financial	I	50,000	50,000	0	26,005	13,862	100,0	12,143	(389)	-
Urbanizadora Villa Santos S.A.S.	Barranquilla	Construction	I	560,000	560,000	0	13,006	12,614	100,0	392	(937)	-
	British Virgin Islands											
Valle Cement Investments Limited	Islands	Financial	I	2	0	0	30,451	30,451	8,2	-	2,131	-
							5,830,753	5,813,074		108,798	349,619	91,119
In non-controlled companies												
Aeropuerto de Barranquilla S.A.	Barranquilla	Air transportation	I	338,000,000	16,000,000	0	40	231	4,7	-	-	191
Bancolombia S.A.	Medellin	Financial	B	509,704,584	12,701,958	0	38,709	381,059	2,5	-	-	342,350
Carbones del Caribe Ltda. en Liquidación	Barranquilla	Coal mining	I	157,260	833	0	-	1	0,5	-	-	1
Compañía de Empaques Bates S.A.	Palmira	Packaging	I	54,607	2,402	0	32	5,068	4,4	-	-	5,036
Compañía de Inversionistas Inmobiliarios S.A.	Medellin	Construction	I	1,045,400	348,466	0	1,562	-	33,3	1,562	-	-
Contrebut S.A.S.	Medellin	Environmental activities	I	34,050	13,475	0	1,225	30	39,6	1,195	-	-
Corp. Club Deportivo El Rodeo S.A.	Medellin	Social	I	53,866	12	0	6	45	0,0	-	-	39
Corp. Club el Nogal	Bogotá	Social	I	2,500	1	0	61	61	0,0	-	-	-
Corporación Club Campestre	Medellin	Social	I	3,243	1	0	54	54	0,0	-	-	-
Corporación Hacienda Fizebad S.A.	Medellin	Social	I	383	1	0	4	-	0,3	4	-	-
Fizebad S.A.	Medellin	Social	I	733	5	0	13	16	0,7	-	-	3
Fondo Regional Garantías del Caribe Colombiano S.A.	Barranquilla	Financial intermediary	I	68,359	2,730	0	40	236	4,0	-	-	196
Fundiciones Colombia S.A. - Fucol (1)	Medellin	Metallurgy	I	2,496,845,128	1,288,221,566	0	1,369	361	51,6	1,008	-	-
Grupo de Inversiones Suramericana S.A.	Medellin	Financial	B	469,037,260	136,998,942	0	1,479,059	5,205,959	29,2	-	-	3,726,900
Grupo de Inversiones Suramericana S.A. Preferencial	Medellin	Financial	B	106,334,963	10,310,781	P	335,043	402,120	9,7	-	-	67,077
Grupo Nutresa S.A.	Medellin	Food products	B	460,123,458	38,246,145	0	166,777	972,217	8,3	-	-	805,440
Industrias Metalúrgicas Apolo S.A. (1)	Medellin	Metallurgy	I	234,438,170	179,631,921	0	2,128	-	76,6	2,128	-	-
Inversiones Zona Franca S.A.S.	Rionegro	Construction	I	1,000	168	0	454	187	16,8	267	-	-
Occidental de Empaques S.A.	Medellin	Packaging	I	2,160,000	1,075,500	0	463	21,720	49,8	-	-	21,257
Plaza Mayor Medellín Convenciones y Exposiciones	Medellin	Promotional	I	143,215,801	199,646	0	86	434	0,1	-	-	348
Poblado Country Club S.A.	Medellin	Social	I	1,750	15	0	554	464	0,9	90	-	-
Prom. Nacional de Zonas Francas S.A.	Rionegro	Financial	I	380,644,330	63,826,441	0	1,361	446	16,8	915	-	-
Promotora de Proyectos S.A.	Medellin	Financial	I	3,763,185	1,627,738	0	610	416	43,3	194	-	-
Sociedad Administradora Portuaria Puerto Berrio S.A.	Barranquilla	Port services	I	16,760	2,625	0	70	-	15,7	70	-	-
Sociedad Colombiana de Transporte Ferroviario S.A.	Bogotá	Transportation	I	172,158,489	4,440,945	0	1,015	-	2,6	1,015	-	-
Sociedad Portuaria de Barrancabermeja S.A.	Buenavetura	Port services	I	100,000	1,000	0	16	26	1,0	-	-	10
Sociedad Portuaria Regional Barranquilla S.A.	Barranquilla	Port services	I	2,799,646	12,771	0	31	197	0,5	-	-	166
Sociedad Portuaria Río Grande S.A.	Barranquilla	Port services	I	2,799,646	12,771	0	31	266	0,5	-	-	235
Sociedad Puerto Industrial Aguadulce S.A.	Buenavetura	Port services	I	8,742,710	4,390	0	103	39	0,1	64	-	-
Triple A Barranquilla S.A. E.S.P.	Barranquilla	Public utilities	I	73,445,177	68,514	0	288	149	0,1	139	-	-
							2,031,204	6,991,802		8,651	-	4,969,249
TOTAL SHARES							7,861,957	12,804,876		117,449	349,619	5,060,368
B. BONDS												
Titulos Desarrollo Agropecuario							653	653	-	-	-	-
TOTAL BONDS							653	653		-	-	-
Less - Provision for protection							117,449	-	-	-	-	-
							7,745,161	12,805,529		117,449	349,619	5,060,368

2012	Domicile	Business	Valuation	Shares outstanding	No. of shares	Type of share	Adjusted cost	Market price	Percentage held	Provision	Participation in results	Revaluation (devaluation)
A. SHARES												
In controlled companies												
Cementos Argos S.A.	Barranquilla	Cement & related products	I	1,151,672,310	707,138,265	0	7,163,307	7,163,307	61,4	-	(126,145)	-
Concretos Argos S.A.	Bogotá	Concrete and mixes	I	9,571,019	2	0	-	-	0,0	-	-	-
Compañía Colombiana de Inversiones S.A., E.S.P.	Medellín	Electric power supply	I	719,584,500	360,219,947	0	1,235,752	1,326,846	50,1	-	76,536	91,094
Empresa de Energía del Pacífico S.A., E.S.P. - EPSA	Yumbo	Electric power supply	I	346,701,360	41,134,405	0	405,392	340,928	11,9	64,464	22,804	-
Inversiones El Duero S.A.S.	Medellín	Financial	I	21,077,050	21,077,050	0	160,152	160,152	100,0	-	2,380	-
Point Corp.	Medellín	Financial	I	47,000	9,000	0	31,792	31,792	19,1	-	181	-
							8,996,395	9,023,025		64,464	(24,244)	91,094
In non-controlled companies												
Bancolombia S.A.	Medellín	Financial	B	509,704,584	2,514,054	0	8,095	71,600	0,5	-	-	63,505
Compañía de Inversionistas Inmobiliarios S.A.	Medellín	Construction	I	1,045,400	348,466	0	1,562	-	33,3	1,562	-	-
Compañía de Empaques Bates S.A.	Palmira	Packaging	I	54,607	2,402	0	32	4,939	4,4	-	-	4,907
Contrebut S.A.S.	Medellín	Environmental activities	I	24,124	6,031	0	475	6	25,0	469	-	-
Corp. Club Deportivo El Rodeo S.A.	Medellín	Social	I	53,866	12	0	6	31	0,0	-	-	25
Corp. Club el Nogal	Bogotá	Social	I	2,500	1	0	61	61	0,0	-	-	-
Corporación Hacienda Fizebad S.A.	Medellín	Social	I	383	1	0	4	-	0,3	4	-	-
Fizebad S.A.	Medellín	Social	I	733	5	0	13	16	0,7	-	-	3
Fundiciones Colombia S.A. - Fucol (1)	Medellín	Metallurgy	I	2,496,845,128	1,288,221,566	0	1,369	361	51,6	1,008	-	-
Grupo de Inversiones Suramericana S.A.	Medellín	Financial	B	469,037,260	67,753,842	0	1,375,011	2,107,144	14,4	-	-	732,133
Grupo de Inversiones Suramericana S.A. Preferencial	Medellín	Financial	B	120,000,000	11,692,300	P	380,000	385,847	9,7	-	-	5,847
Grupo Nutresa S.A.	Medellín	Food products	B	435,123,458	13,305,495	0	151,333	290,060	3,1	-	-	138,727
Industrias Metalúrgicas Apolo S.A. (1)	Medellín	Metallurgy	I	234,438,170	179,631,921	0	2,128	-	76,6	2,128	-	-
Inversiones Zona Franca S.A.S.	Rionegro	Construction	I	1,000	168	0	454	186	16,8	268	-	-
Occidental de Empaques S.A.	Medellín	Packaging	I	2,160,000	1,075,500	0	463	20,278	49,8	-	-	19,815
Plaza Mayor Medellín Convenciones y Exposiciones	Medellín	Promotional	I	143,215,801	188,756	0	62	411	0,1	-	-	349
Poblado Country Club S.A.	Medellín	Social	I	1,750	15	0	554	426	0,9	128	-	-
Prom. Nacional de Zonas Francas S.A.	Rionegro	Financial	I	380,644,330	63,826,441	0	1,361	399	16,8	962	-	-
Promotora de Proyectos S.A.	Medellín	Financial	I	3,763,185	913,853	0	396	193	24,3	203	-	-
Sociedad Colombiana de Transporte Ferroviario S.A.	Bogotá	Transportation	I	172,158,489	4,440,945	0	1,015	-	2,6	1,015	-	-
							1,924,394	2,881,958		7,747	-	965,311
TOTAL SHARES							10,920,789	11,904,983		72,211	(24,244)	1,056,405
B. BONDS												
Títulos Desarrollo Agropecuario							559	559	-	-	-	-
TOTAL BONDS							559	559	-	-	-	-
Less - Provision for protection							72,211	-	-	-	-	-
							10,849,137	11,905,542	-	72,211	(24,244)	1,056,405

Market prices are as of December 2012 and 2011

I Intrinsic

B Stock market price

P Preferred share

O Ordinary share

(1) Companies in Law 550/99 Financial Restructuring proceedings

As of December 31, 2012, the following investments were given as collateral to guarantee financial liabilities for \$300,000.

Company	No. shares	Entity	Amount
Celsia S.A. E.S.P.	7,602,549	Davivienda	40,597
Grupo de Inversiones Suramericana S.A.	21,200,000	Bancolombia	805,600
Grupo de Inversiones Suramericana S.A.	5,524,303	Banco de Bogotá	209,924
Grupo de Inversiones Suramericana S.A.	14,029,913	BBVA	533,137
Grupo de Inversiones Suramericana S.A.	5,140,800	Helm Bank	195,350
Grupo Nutresa S.A.	9,093,972	Banco de Bogotá	231,169
			2,015,777

The reduction in permanent investments is mainly due to:

Cementos Argos: \$3,606,272 reduction because on May 30, 2012, the company spun-off non-cement assets equivalent to net shareholders' equity of \$5.9 billion to its parent company. The lower net asset value of this investment arises from the adjustment to new shareholders' equity spun off from the company.

As part of the transaction, the reduction of this investment in the individual financial statements of Grupo Argos S.A. is offset by an increase in net assets absorbed for \$5.9 billion, as explained in Note 1.

The following were the investments absorbed by Cementos Argos in 2012:

	Net cost	Valuation	Number of shares
Grupo de Inversiones Suramericana S.A.	96,423	2,108,830	69,000,400
Bancolombia S.A.	30,614	332,564	10,187,904
Grupo Nutresa S.A.	15,444	523,773	24,940,650
Carbones del Caribe S.A.S.	37,537	-	6,404,888
Carbones del Caribe Ltda.	-	-	833
Urbanizadora Villa Santos S.A.S.	13,588	-	560,000
Inversiones RoundCorp. S.A.S.	42,289	-	824,484
Inversiones FortCorp. S.A.S.	100,788	-	339,956
Sociedad Portuaria de Cementeras Asociadas S.A.	4,083	-	28,470
Sociedad Portuaria Golfo de Morrosquillo S.A.	11,705	-	3,100,550
Sociedad Puerto Industrial Aguadulce S.A.	39	-	4,390
Sociedad Portuaria Regional de Barranquilla S.A.	31	167	12,771
Sociedad Portuaria Rio Grande S.A.	31	235	12,771
Sociedad portuaria Bocas de Ceniza S.A.	406	-	403,130
Sociedad Portuaria La Inmaculada S.A.	41	-	37,960
Sociedad Portuaria Las Flores S.A.	48	-	47,450
Sociedad Portuaria Barrancabermeja S.A.	16	10	1,000
Sociedad Administradora Portuaria Pto. Berrio S.A.	-	-	2,625
Propuerto S.A.	-	-	1
Aeropuerto de Barranquilla S.A.	40	191	16,000,000
Triple A Barranquilla S.A. E.S.P.	184	-	68,514
Fondo Regional de Garantías	40	196	2,730
Total	353,347	2,965,966	

Major sales of shares by the Company in 2012 were: 1,381,519 shares of Grupo de Inversiones Suramericana Preferred for \$46,457; 8,331,613 shares of Cementos Argos S.A. for \$60,139 and 403,130 shares of Sociedad Portuaria Bocas de Ceniza S.A. for \$406.

Major acquisitions in 2012 were:

- 835,918 shares of Celsia S.A. E.S.P. for \$2,978;
- 713,885 shares of Promotora de Proyectos S.A. for \$214;
- 3,350,000 shares of Internacional Ejecutiva de Aviación S.A.S. for \$3,493;
- 244,700 shares of Grupo de Inversiones Suramericana S.A. for \$7,482;
- 10,890 shares of Plaza Mayor Medellín for \$24;
- 50,000 shares of Merger Link Corp. for \$26,861;

Companies capitalized were:

- Sociedad Portuaria Golfo de Morrosquillo S.A. of 4,739,851 shares for \$87,919;
- Sociedad Portuaria de Cementeras Asociadas S.A. of 1,530 shares for \$211;
- Sociedad Portuaria La Inmaculada S.A. of 2,040 shares for \$2;
- Sociedad Portuaria Las Flores S.A. of 2,550 shares for \$2;
- Carbones del Caribe S.A.S. of 1,409,690 shares for \$ 28,194;
- Contreebute of 7,444 shares for \$750.

Pubic deed No. 1418 dated December 1, 2012 of the Sixth Notary of Cartagena documents the merger in which Compañía de Puertos Asociados S.A. (previously Terminal Marítimo Muelles El Bosque S.A.) absorbed the companies Muelles El Bosque Operadores Portuarios S.A., Sociedad Portuaria Golfo de Morrosquillo S.A., Sociedad Portuaria de Cementeras Asociadas S.A., Sociedad Portuaria La Inmaculada S.A. and Sociedad Portuaria Las Flores S.A.

Below is the total value of assets, liabilities, capital and results of the period of the companies held as permanent investments, accounted for by the equity method:

2012				
	Total Assets	Total Liabilities	Total Equity	Results of the period
Cementos Argos S.A.	9,437,661	3,722,370	5,715,291	387,619
Concretos Argos S.A.	657,165	299,946	357,219	22,750
Valle Cement Investments Limited	531,428	159,440	371,988	26,024
Inversiones El Duero S.A.S.	188,533	411	188,122	2,638
Empresa de Energía del Pacífico S.A. E.S.P.	4,042,396	1,132,398	2,909,998	277,384
Celsia S.A. E.S.P.	6,840,008	3,934,597	2,905,411	230,759
Carbones del Caribe S.A.S.	122,787	94,553	28,234	(38,954)
Urbanizadora Villa Santos S.A.S.	57,414	44,800	12,614	(936)
Inversiones FortCorp S.A.S.	100,940	152	100,788	-
Inversiones RoundCorp S.A.S.	42,380	91	42,289	(91)
Compañía de Puertos Asociados S.A.	432,546	153,039	279,507	3,663
Merger Link Corp.	13,861	-	13,861	(388)
Internacional Ejecutiva de Aviación S.A.S.	16,311	15,522	789	(2,615)
	22,483,430	9,557,319	12,926,111	907,853

2011				
	Total Assets	Total Liabilities	Total equity	Results of the period
Cementos Argos S.A.	15,760,938	4,094,503	11,666,435	369,974
Concretos Argos S.A.	734,345	293,104	441,241	(11,578)
Point Corp.	180,692	14,667	166,025	942
Inversiones El Duero S.A.S.	160,573	421	160,152	2,380
Empresa de Energía del Pacífico S.A. E.S.P.	4,153,408	1,279,900	2,873,508	192,207
Celsia S.A. E.S.P.	6,796,027	4,145,485	2,650,542	152,891
	27,785,983	9,828,080	17,957,903	706,816

The capital composition of subordinate companies subject to application of the equity participation method as of 31 December is as follows:

2012								
	Capital	CAPITAL SURPLUS	RESERVES	CAPITAL REVALUATION	RESULTS OF THE PERIOD	RESULTS OF PREVIOUS PERIODS	VALUATIONS SURPLUS	TOTAL EQUITY
Cementos Argos S.A.	7,291	498,138	914,692	756,753	387,619	-	3,150,798	5,715,291
Concretos Argos S.A.	9,249	128,239	4,888	37,083	22,750	-	155,010	357,219
Valle Cement Investments Limited	13,798	21,191	-	(187,995)	26,024	455,464	43,506	371,988
Inversiones El Duero S.A.S.	2,108	-	32,329	3,313	2,638	-	147,734	188,122
Empresa de Energía del Pacífico S.A. E.S.P.	1,128,166	20,119	325,643	293	277,384	-	1,158,393	2,909,998
Celsia S.A. E.S.P.	180	298,146	1,929,817	36,869	230,760	-	409,639	2,905,411
Carbones del Caribe S.A.S.	8,910	43,524	-	86,701	(38,954)	(92,972)	21,025	28,234
Urbanizadora Villa Santos S.A.S.	56	5,445	6,428	1,550	(937)	-	72	12,614
Inversiones FortCorp S.A.S.	340	1,834	-	2,244	-	-	96,370	100,788
Inversiones RoundCorp S.A.S.	824	5,644	-	-	(91)	(2,830)	38,742	42,289
Compañía de Puertos Asociados S.A.-COMPAS S.A.	28,700	102,014	35,084	5,102	3,663	(5,560)	110,504	279,507
Merger Link Corp	14,244	-	-	6	(389)	-	-	13,861
Internacional Ejecutiva de Aviación S.A.S.	3,350	-	20	46	(2,615)	(12)	-	789

2012								
	Capital	CAPITAL SURPLUS	RESERVES	CAPITAL REVALUATION	RESULTS OF THE PERIOD	RESULTS OF PREVIOUS PERIODS	VALUATIONS SURPLUS	TOTAL EQUITY
Cementos Argos S.A.	7,291	1,042,000	879,125	902,111	369,974	-	8,465,934	11,666,435
Concretos Argos S.A.	9,589	130,019	16,466	39,328	(11,578)	-	257,417	441,241
Point Corp.	101	-	-	(19,751)	942	184,733	-	166,025
Inversiones El Duero S.A.S.	2,108	-	29,948	3,313	2,380	-	122,403	160,152
Empresa de Energía del Pacífico S.A. E.S.P.	1,128,166	19,785	373,496	293	192,207	1,417	1,158,144	2,873,508
Compañía Colombiana de Inversiones S.A. E.S.P.	180	298,146	1,843,925	36,838	152,891	-	318,562	2,650,542

Below are the business purposes of the companies that are accounted for by the equity method:

Carbones del Caribe S.A.S.: A company incorporated under the laws of Colombia on October 28, 1981; its main domicile is the city of Medellín and its term of duration is indefinite. Its corporate purpose is the prospecting, exploration, exploitation, production, processing, transformation, acquisition, sale, marketing and transportation of coal and other coal-related minerals, and the import, export, marketing and supply of raw materials, supplies, equipment and machinery needed for mining coal and other minerals.

Celsia S.A. E.S.P. (previously Colombiana de Inversiones S.A. E.S.P.): Utility company providing generation and commercialization of electric power and the provision of complementary services related to the same activities of utilities. It is headquartered in Medellín.

Cementos Argos S.A. The company carries out activities of exploitation in the cement industry and the production of mixtures of concrete and of any other material or articles based on cement, lime or clay; acquisition and disposition of minerals or deposits of minerals exploitable in the cement industry and similar industries, acts as a contractor, builder, consultant, controller, designer or planner of civil works or other types, before any public or private entity. It is headquartered in Barranquilla.

Compañía de Puertos Asociados S.A. - COMPAS S.A.: Incorporated in accordance with the laws of Colombia on February 12, 1992; its principal purpose is the port business in Colombia and outside, the administration and management of companies of any nature and intervention as industrial partner or administrator of them. The principal domicile of the company is Bogotá and its term of duration is until December 1, 2111.

Control is exercised jointly by the two shareholders of Compañía de Puertos S.A., in which Grupo Argos S.A. participates with 50% of the capital and the same percentage in the decisions of the Shareholders' Meeting and Concretos Argos S.A. controlling bodies. Concrete Argos S.A.'s purpose is the exploration, exploitation, transport, benefit, comprehensive utilization, commercialization and sale of stone minerals such as: sand, cement and gravel, pre-mixed concrete, precast concrete, concrete blocks and any accessories and complementary elements materials used in the construction industry. It is headquartered in Bogotá.

Empresa de Energía del Pacífico S.A. E.S.P. – EPSA: EPSA implements policies, plans, programs and projects on the generation, transmission, distribution and commercialization of energy and its administration, management and use in accordance with regulations and guidelines issued by the Ministry of Mines and Energy. It is domiciled in the municipality of Yumbo, Valle del Cauca.

Internacional Ejecutiva de Aviación S.A.S.: Incorporated in accordance with the laws of Colombia on October 17, 1991; its principal domicile is Medellín and its term of duration is indefinite. Its main corporate purpose is the provision of public commercial air transport for mail and cargo, including charter flights for national and international routes in accordance with existing regulations and international agreements for civil aviation.

Inversiones El Duero S.A.S.: The company's objective is investment in liquid and fixed assets, especially in shares, quotas or part interest or any other title of participation in companies, entities, organizations, funds or any other legal figure allowing the investment of resources.

It can also invest in securities and certificates of fixed and variable income, whether or not they are registered on the public markets.

Inversiones FortCorp S.A.S.: Incorporated in accordance with the laws of Colombia on February 13, 2012; its principal domicile is Bogotá and its term of duration is indefinite. Its main corporate purpose is the carrying out of any legal economic activity in Colombia and abroad. Therefore, it is understood that the company may act as contractor, builder, consultant, comptroller, designer or planner of civil or other works for any public or private entity.

Inversiones RoundCorp S.A.S.: Incorporated in accordance with the laws of Colombia on February 20, 2012; its principal domicile is Medellín and its term of duration is indefinite. Its main corporate purpose is the carrying out of any legal economic activity in Colombia and abroad. Therefore, it is understood that the company may act as contractor, builder, consultant, comptroller, designer or planner of civil or other works for any public or private entity.

Merger Link Corp.: Incorporated under the laws of the British Virgin Islands on September 5, 2012; its corporate purpose is the carrying out of any type of investment.

Urbanizadora Villa Santos S.A.S.: Incorporated in accordance with the laws of Colombia on June 18, 1974; its principal domicile is Barranquilla and its term of duration is indefinite.

Its main corporate purpose is the carrying out of any legal economic activity in Colombia and abroad.

Valle Cement Investments Limited: Incorporated under the laws of the British Virgin Islands on September 18, 1998; its principal domicile is the British Virgin Isles and its corporate purpose is the carrying out of any type of investment. Presently it invests in shares, quotas or interest participations or any other type of instrument.

The effect of accounting for the above permanent investments by the equity participation method caused a decrease as of December 31, 2012 in assets and the capital of the company of \$134,466 (2011-increase of \$294,115) and an increase in the results of the period of \$349,619 (2011-decrease of \$24,344).

Income (loss) by equity method:

	2012	2011
Cementos Argos S.A.	236,231	-
Empresa de Energía del Pacífico EPSA S.A.	32,910	22,804
Celsia S.A. E.S.P	115,784	76,536
Compañía de Puertos Asociados S.A. – COMPAS S.A.	1,650	-
Valle Cement Investments Limited	2,131	-
Inversiones el Duero S.A.S.	2,638	2,380
Point Corp.	-	182
Income by equity method	391,344	101,902
Cementos Argos S.A.	-	126,145
Carbones del Caribe S.A.S.	37,693	-
Internacional Ejecutiva de Aviación S.A.S.	2,615	-
Urbanizadora Villa Santos S.A.S.	937	-
Inversiones RoundCorp S.A.S.	91	-
Merger Link Corp.	389	-
Loss by equity method	41,725	126,145

Note 5 – Accountant Receivables, net

On December 31 receivables consisted of the following:

	2012	2011
Domestic Clients (1)	15,341	-
Related Parties (see note 26)	57,850	1,162
Advances	4,523	1,081
Income receivable (3)	52,128	37,746
Advance payments of taxes and		
Withholding at source	1,811	668
Accounts receivable from employees	6,471	-
Individuals	6	6
Forward contracts	-	17,422
Other	-	6
	138,130	58,091
Less- allowance for doubtful debts	(930)	(932)
Subtotal	137,200	57,159
Less - long term	47,143	238
Short-term receivables	90,057	56,921

- (1) The Balance relates to portfolio of real-estate customers absorbed in May 2012; the development projects are Alianza Fiduciaria S.A., Fideicomisos with \$3,341 from the sale of Lot B2 Villa Carolina VII Phase and Inversiones Inmobiliarias Barranquilla S.A. with \$12,000 from the sale of lots C4 and C5 of Centro Internacional del Caribe.
- (2) Related Parties relates to the advance to Coninsa and Ramón H for the direct expenses of the Centro Comercial Viva Villavicencio project in which Grupo Argos S.A. will be partner for up to 49%.
- (3) Income receivable includes dividends to be collected of \$51,334 (2011 - \$37,154) from investments in Grupo de Inversiones Suramericana S.A. of \$13,062 (2011 - \$4,912), Bancolombia S.A. of \$2,248 (2011 - \$420), Grupo Nutresa S.A. of \$3,442 (2011 - \$1,138), Celsia S.A. E.S.P. of \$8,124 (2011 - \$7,348) and Cementos Argos S.A. of \$24,458 (2011 - \$23,336).

The receivables balances absorbed by Grupo Argos are represented by account receivables from customers of \$3,426, account receivables related to the businesses spun-off of \$45,500 and income receivable of \$56.

Changes in the receivables reserves:

	2012	2011
Starting balance	932	936
Recoveries	(2)	(4)
Ending balance	930	932

There is no tax on accounts receivable as of December 31, 2012.

Note 6 – Inventories-net

Inventories as of December 31, 2012:

Development works (1)	71,983
Real estate for sale	332
Land for development	3,128
Total Inventories	75,443
Less - long term	332
Total short-term inventories	75,111

On December 31, 2011, the Company did not have inventories. With the perfection on May 30, 2012 of the spinoff by absorption between Cementos Argos S.A. and Grupo Argos S.A., development project inventories of \$53,269, land for development of \$3,127 and real estate for sale of \$332 were absorbed. These projects are administered under a contract with Urbanizadora Villa Santos S.A.S.

Projects as of December 31, 2012:

Development projects

Centro Internacional del Caribe	23,219
Portal de Genovés	10,359
San Juan de Dios	15,367
Miramar IV etapa	15,210
Cluster Institucional	5,857
Palmas del Rio	355
Portal de Genovés II	1,264
Caracola y Recoveco	352
	71,983

Real estate for sale

Paseo La Castellana V etapa	332
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Land for development

Lot D2 Globo Oreja	103
Land- Pajonal Sierra Vieja	62
Lot - Banda Norte Pajón	19
Miramar III phase	2,944
	3,128

Note 7 - Property and Equipment

Property and equipment and accumulated depreciation on December 31:

2012	Adjusted cost	Accumulated depreciation	Net cost	Appraisal	Valuations
Land (1)	62,464	-	62,464	2,538,940	2,476,476
Construction in development	695	-	695	-	-
Buildings and constructions	3,227	1,497	1,730	5,043	3,313
Furniture and office equipment, Computing and communications	3,620	3,493	127	415	288
Transportation equipment	766	766	-	137	137
	70,772	5,756	65,016	2,544,535	2,480,214
Less- Reserve	-	-	(4,033)	-	-
	70,772	5,756	60,983	2,544,535	2,480,214

2012	Adjusted cost	Accumulated depreciation	Net cost	Appraisal	Valuations
Land	249	-	249	390	141
Buildings and constructions	3,043	1,161	1,882	4,976	3,095
Furniture and office equipment, Computing and communications	3,521	3,496	25	317	292
Transportation equipment	939	939	-	177	177
	7,752	5,596	2,156	5,860	3,705

(1) Land distributed by use:

	Adjusted cost	Commercial value	Valuations
For development	42,016	1,374,500	1,332,484
For sale	4,333	377,152	372,819
Rentals and other uses	16,115	787,288	771,173

The increase in land is mainly due to the absorption of land for development by net book cost of \$48,396 of Cementos Argos S.A. and the capitalization of the tax assessment issued by the city of Barranquilla in accordance with Decree No. 0695 of 2012 of \$26,586 of its real-estate business land.

Depreciation charged to the income statement was \$183 (2011 - \$192).

At December 31, 2012, properties and equipment were free of taxes.

The Company had property and equipment appraised in 2011 by Rodrigo Echeverri Asociados.

Assessments of land absorbed by Cementos Argos S.A. were made by Colliers International Colombia in 2011. See note 9.

Note 8 – Deferred and Intangible assets

Deferred and intangible as of December 31 were as follows:

	2012	2011
Goodwill (1)	29,683	29,006
Rights	-	2,829
Deferred	1,537	-
Less accumulated amortization	(4,091)	(2,263)
	27,129	29,572

(1) The balance represents the amount paid over book value in the September 30, 2012 acquisition of 9,417,457 shares, equivalent to 1.31% share participation in Celsia S.A. E.S.P. The certified intrinsic value in pesos per share as of August 31, 2010 was \$3,658.79 for a capital value of \$34,456. The net purchase value was \$63,424. Additionally, in June and July 2012 835,918 shares were acquired, equivalent to 0.116% share participation in the company.

The certified intrinsic value in pesos per share as of June 30 and July 31, 2012 was \$3,630.81 and \$3,590.49 respectively, for a capital value of \$2,918 and \$116. The net purchase value was \$3,474 and \$136, respectively.

This also includes the additional amount paid over the book value for the acquisition on December 17, 2012 of 50,000 shares, equivalent to 100% of share participation in Merger Link Corp. The certified intrinsic value in pesos per share as of November 30, 2012 was \$537,697 for a capital value of \$26,861. The net purchase value was \$26,967.

The estimated time for amortization of the mercantile credit of Celsia S.A. E.S.P. is 16 years and of Merger Link Corp is three years; the accounting method used is the straight line.

Depreciation charged to income was \$1, 829(2011 - \$1,810).

Note 9 – Assets revaluation

The assets revaluation at December 31 were as follows:

	2012	2011
Permanent investments (see Note 4) (1)	5,060,368	1,056,405
Property and equipment (see Note 7) (2)	2,480,214	3,705
	7,540,582	1,060,110

- (1) The increase in investment valuations is principally due to the spinoff by absorption between Cementos Argos S.A. and Grupo Argos S.A., which absorbed 69,000,400 shares of Grupo de Inversiones Suramericana S.A., 10,187,904 shares of Bancolombia S.A. and 24,940,650 shares of Grupo Nutresa S.A. The valuation of shares received at the time of the absorptions was \$2,965,966.
- (2) The increase in valorizations of property and equipment is due to valuations of land absorbed from Cementos Argos S.A. of \$2,478, 925.

The Company had property and equipment appraised in 2011 by Rodrigo Echeverri Asociados. The comparative and cost methods were used for land, buildings and constructions, equipment transportation, furniture and office equipment. The appraisals are updated at least every three years.

Assessments of land absorbed by Cementos Argos S.A. were made by Colliers International Colombia in 2011. The methodology used takes into account that the target market of a property is made of all parties who may obtain a benefit from an improved use of the property and are willing to pay a competitive price for it. In most cases, for a given property the target market is represented by an identifiable group of individuals or financial entities. As regards property, a potential buyer's profile would be that of a developer / investor.

The appraisal contained in the report shows the analysis likely to be performed by such buyer. Finally, the resulting value is compared against market value of properties to ensure it is appropriate.

Note 10 - Financial obligations

Financial obligations as of December 31st were comprised of:

	2012	2011
Loans from banks	901,271	1.280.668
Individuals	109	109
Total financial liabilities	901,380	1.280.777
Less - long term	(300,109)	(296.109)
	601.271	984,668

On December 31 the following credits from banks were outstanding:

Entity	Description	Amount	Start Date	Maturity Date	Interest Rate	Currency
Banco de Bogotá	Long term loan	156,000	29-Nov-11	04-Jan-13	DTF+1,95%	COP
Banco de Bogotá	Working capital loan	25,436	12-Dec-12	03-Jan-13	DTF+0,90%	COP
Banco Popular	Long term loan	60,000	06-Dec-12	03-Jan-13	DTF+0,75%	COP
Bancolombia	Long term loan	56,583	11-May-12	08-Mar-13	Libor+2,40%	USD
Bancolombia	Long term loan	136,154	17-Feb-12	08-Feb-13	Libor+3,50%	USD
Bancolombia	Long term loan	167,098	03-May-12	11-Apr-13	Libor+2,40%	USD
Bancolombia	Long term loan	200,000	27-Jul-12	16-Sep-20	IPC+5,80%	COP
Helm Bank	Long term loan	100,000	10-Mar-11	10-Mar-16	DTF+2,85%	COP
		901,271				

Maturities of long-term loans as of December 31, 2012 are:

	Amount
2016	100,000
2020	200,109
	300,109

Interest accrued on financial liabilities in 2012 was \$81,574 (2011 - \$40,367).

Financial obligations of \$300,000 are guaranteed by permanent investment as referred to in note 4.

Note 11 - Accounts Payable

Accounts payable as of December 31 included the following:

	2012	2011
Domestic suppliers (1)	35,563	-
Foreign suppliers US\$ 9,426	17	-
Related parties (see note 26)	13,642	16.423
Costs and expenses payable (2)	14,627	8
Dividends payable	44,266	34.985
Interest payable on financial obligations	9,809	5.015
Tax withholdings payable	580	7
Payroll withholdings and contributions	164	-
Forward contracts (3)	10,009	1.113
Other	179	44
	128,856	57,595

- (1) The balance principally relates to the liability with Inversiones Inmobiliarias Barranquilla S.A. of \$33,480 and Jupiter Asociados S.A. of \$1,620 related to development.
- (2) Costs and expenses payable relate mainly to a success fee in the provision of financial consulting service by Banca de Inversión Bancolombia S.A. of \$4,689 for the structuring and issuance of mandatory convertible bonds issue. It also includes the project with Grupo Éxito S.A. of \$4,630 administered by Coninsa and Ramón H. S.A.; Grupo Argos S.A. holds 49% and Grupo Éxito S.A. 51%.
- (3) Relates to the valuations at year end of the following financial derivatives operations in favor of the counterparty.

Type	Underlying	Underlying amount	Forward amount (US\$)	Forward exchange rate	Maturity
Fwd buy	Financial liability and interest	US\$692,103	US\$692,103	\$1.808,01	01-feb-13
Fwd compra	Financial liability and interest	US\$7,709,241	US\$7,709,241	\$1,827.90	07-Feb-13
Fwd compra	Financial liability-capital	US\$70,000,000	US\$70,000,000	\$1,836.40	07-Feb-13
Fwd compra	Financial liability interests	US\$235,258	US\$235,258	\$1,826.59	08-Feb-13
Fwd compra	Financial liability and interest	US\$32,063,929	US\$32,063,929	\$1,833.84	08-Mar-13
Fwd compra	Financial liability-capital	US\$20,000,000	US\$20,000,000	\$1,815.26	10-Apr-13
Fwd compra	Financial liability and interest	US\$20,504,031	US\$20,504,031	\$1,817.41	10-Apr-13
Fwd compra	Financial liability-capital	US\$10,000,000	US\$10,000,000	\$1,818.23	10-Apr-13
Fwd compra	Financial liability and interest	US\$44,500,000	US\$44,500,000	\$1,820.40	10-Apr-13

Forward purchase and sale of foreign currency operations are carried out to cover the risk of fluctuation in the exchange rate of liabilities in dollars and short-term investments.

Note 12- Bonds obligatorily Convertible into Shares

As of December 31, 2012, bonds mandatorily convertible into shares with preferred dividends and without voting rights (BOCEAS) reached \$749,248; these bonds were issued on November 26, 2012.

The amount authorized for the issuance by the Special Shareholders' Meeting on October 19, 2012 was \$750,000.

The nominal value of these mandatory convertible bonds is one million pesos; they have the following conditions:

Series	Term (months)	Amounts Issued	Effective Rate	Payment Schedule	Maturity Date	Conversion rate
A3	36	\$750,000	5%	TV	27. Nov. 15	1 convertible bonds for 47 preferred share without voting rights

The mandatory convertible bonds may be converted at any time after five days from issuance date at the option of the holder; if the holder does not take this option, conversion of the bonds are obligatory upon maturity.

Until conversion, the bonds will pay a fixed coupon rate on the nominal amount.

The Company holds 160,000,000 shares in reserves for the mandatory convertible bonds conversion.

In December, individuals converted 752 mandatory convertible bonds for a total of 35,344 preferred shares. The increase in subscribed and paid-in capital was \$2 and the additional paid-in was \$750.

Note 13-Commercial Paper

In September 2012, the Company issued \$200,000 of one-year commercial paper in one series.

Issuance date	Maturity Date	Type	Annual rate	Amount	Interest payment
26/09/2012	24/09/2013	Fixed rate	5,95%	\$ 200,000	On maturity

Note 14 - Taxes, contributions and levies

The balance of taxes, contributions and levies as of December 31 follows:

	2012	2011
Income tax	2,039	1,059
Equity tax	1,905	2,858
Tax on sales	417	-
Industry and Commerce tax	2,179	-
	6,540	3,917
Less – short term	(5,587)	(2,012)
Long term (1)	953	1,905

(1) The balance of long term taxes, contributions and levies corresponds to equity tax installments maturing in 2014.

Net income tax on December 31 comprised:

	2012	2011
Ordinary income tax	2,039	-
Surplus from previous years	-	1,059
Least - advance payments of taxes and deductions at source	(1,575)	(379)
Income tax, net	464	680

Income Tax

The tax provisions applicable to the Company stipulate that:

- Taxable income is taxed at the rate of 33%. As of 2007, Law 1111 of 2006 overturns surtax charged to tax payers who were obliged to report income tax and again sets the treatment for extraordinary gains, with special emphasis on the sale of investments and fixed assets held over 2 years.
- The basis for calculating income tax cannot be less than 3% of net capital on the last day of the immediately prior tax period.
- As of 2007 companies may offset readjusted tax losses without time limit with ordinary net income obtained in the following periods without prejudice to the presumptive income for the period.

Tax losses generated by special deductions for investment in productive fixed assets also may be offset with net income.

On December 31, 2012 the company did not have tax losses (2011 - \$624).

- d) Excess of presumptive income over ordinary income generated since 2003 can only be offset with ordinary net income within the following five years.

As of 2007, excess of presumptive income over ordinary is tax readjusted. On December 31, 2012, the Company had \$20,841 (2011 - \$20,260) in excess presumptive income originating in taxable periods 2008, 2009, 2010 and 2011.

- e) Since 2004 income tax payers who carry out operations with economic affiliates or related parties from abroad are obliged to determine for the purposes of income and complementary tax their ordinary and extraordinary income, costs and deductions, and assets and liabilities, taking into account for these operations pricing and profit margins that would have been used in comparable operations with or between non-affiliated entities. For 2012 and 2011, the Company did not carry out operations with economic affiliates or related parties.

A reconciliation of income before income tax and taxable income and the calculation of taxes and the reconciliation of accounting capital and tax capital for the tax year ending December 31, 2012 and 2011 follows:

a. Reconciliation of accounting income and tax net income:

	2012	2011
Income before income tax	345,977	154,728
Plus:		
Reserve for protection of long-term investments	19,684	1,726
Forward tax income	114	-
Profit from sale of investments	46,863	-
Other non-deductible expenses	144,251	341,850
Factoring income	-	65
Non-deductible expenses	147,612	33,914
	358,524	377,555
Less		
Accounting income from sale of properties and intangibles	3,575	-
Tax income from sale of permanent investments	49,859	209,103
Non-taxed dividends	181,018	172,832
Reserve recoveries	11,661	2,552
Non-taxed other income	473,064	146,837
	719,177	531,324
Ordinary net loss	(14,676)	(959)

Presumptive income on capital	2,929	2,596
Taxable net income	2,929	2,596
Tax rate	33%	33%
Income Tax	967	857
Extraordinary gain		
Profit from sale of fixed assets	3,251	649
Taxable extraordinary income	3,251	649
Tax rate	33%	33%
Tax on extraordinary gain	1,072	214
Provision for taxes charged to income	2,039	1,071

b. Reconciliation of accounting capital and tax capital:

The reconciliation between accounting capital and tax capital as of December 31 follows:

	2012	2011
Accounting capital as of December 31	14,060,391	10,652,751
Less		
Valuations of assets (see note 9)	(7,540,582)	(1,060,110)
Plus:		
Reserves for receivables, investments and properties	122,412	73,144
Tax value of properties and equipment	60,784	2,576
Tax value of permanent investments	5,324,691	4,563,895
Non-tax liabilities	13,500	2,820
Less		
Book cost of investments and properties	(7,805,491)	(10,850,734)
Tax capital	4,235,705	3,384,342

The tax returns of Grupo Argos S.A., for the taxable years 2011 and 2012 are subject to review and acceptance by tax authorities. Management and its legal advisers consider that the amount recorded as a liability for taxes payable is enough to meet any liabilities that might be established with respect to these years.

Equity tax

The Company paid \$3,812 in taxes based on net capital as of January 1, 2011 at a rate of 4.8% plus 25% surtax. The return was filed in May 2012 and payment was made in eight equal installments of \$476 in May and September during 2011, 2012, 2013 and 2014.

For 2011, the Company accrued and accounted for 100% of the capital tax and surtax by charging it to the capital revaluation account.

Tax reforms - A summary follows of some modifications in the Colombian tax regime for 2013 and thereafter arising from Law 1607 of December 27, 2012.

Income tax and complementary taxes – the corporate tax rate on taxable income is changed to 25% as of January 1, 2013.

Fairness Income tax CREE- This tax takes effect January 1, 2013. This taxes at a rate of 8% on a different taxable basis than the taxable income and does not include extraordinary gains. For 2013, 2014, and 2015 the applicable rate will be 9% as a transition phase. For all effects, the CREE taxable base cannot be less than 3% of net equity as of the last day of the prior tax year.

The calculation of the CREE tax base does not allow income of the tax period to be offset with tax losses or excess presumptive income from prior periods.

Exemption from payroll taxes - Legal entities paying Income Tax and Complementary Taxes are exempt from payroll taxes to Servicio Nacional de Aprendizaje (SENA), Instituto Colombiano de Bienestar Familiar (ICBF) and to the Social Security System for health for those employees who earn up to ten (10) minimum wages. This exemption takes effect with the implementation of the CREE tax withholding system (in any case, before July 1, 2013).

Extraordinary gains – The corporate tax rate on extraordinary gains is changed to 10% as of January 1, 2013.

Transactions with related parties - Those entities paying Income tax and Complementary taxes located, domiciled or resident in the National Customs Territory and entering into transactions with related parties in free zones must use the Full Competency principle. Evidencing documentation is required for transfer pricing as well as other legal considerations.

Conciliation of tax and customs disputes- The National Department of Taxes and Customs DIAN is authorized to settle tax and customs disputes in administrative or court processes at the time the law takes effect, settling up to August 31, 2013 the total amount of fines and interest up to 100% of same, when and if payment or agreement to pay are made.

Accounting norms – For tax purposes, all accounting references contained in tax regulations will continue in effect for four years after the International Financial Information Accounting Standards take effect. As a consequence, for the cited period, the tax bases of the items included in the tax returns remain unchanged. As well, accounting requirements for recognition of special tax situations will lose effect as of the date of the application of the new accounting standards framework.

Requirement to submit consolidated financial information for business groups- Duly registered economic and/or business groups must deliver electronically to the National Department of Taxes and Customs DIAN consolidated financial statements and their corresponding annexes by June 30th of each year.

Note 15 - Other Liabilities

Other liabilities as of December 31 were:

	2012	2011
Estimated liabilities and reserves		
For costs and expenses	3,491	-
For tax obligations	-	1,761
Other liabilities		
Advance payments and advances received from clients	232	4,115
Advance payments and advances received on contracts (1)	86,707	-
Others	724	400
Total Other Liabilities	91,154	6,276
Less - long term	(67,816)	-
Total Other Short-Term Liabilities	23,338	6,276

- (1) The balance corresponds principally to a purchase commitment advance with Compañía de Puertos Asociados S.A. COMPAS for port properties for \$67,816. The public deed for the purchase agreement will be made effective on January 15, 2015.

Liabilities absorbed by Grupo Argos S.A. are: advances received from customers for \$8,691 and others for \$9,865.

Note 16 – Labor obligations

Labor obligations as of December 31 were as follows:

	2012	2011
Pension	4,295	3,913
Others	307	26
	4,602	3,939
Less - long term	(3,595)	(3,163)
	1,007	776

According to the Colombian Labor Code, employers must pay retirement pensions or issue pension bonds to employees who meet certain requirements as to age and length of service. The Institute of Social Security (ISS) and pension funds have assumed most of these obligations.

Charges to income in the period for retirement pensions in 2012 were \$1,186 (2011 - \$754).

The actuarial calculations in 2012 and 2011 are 100% amortized.

The following were the main factors used in the actuarial calculation prepared in the years ending December 31:

	2012	2011
Number of persons	55	56
Future increase in pensions	4.80%	4.80%

The actuarial reserve calculation was carried out with the following technical bases:

1. **Mortality table:** Colombian Actuarial Table RV08 for men and women. (Resolution 1555 of 2010 of the Superintendence of Finance).
2. **Pension and wage adjustment:** The formulation employed explicitly incorporates future increases in salaries and pensions with a growth rate of 3.26% for 2012 (Decree 2783 of December 20, 2001).
3. **Technical interest:** 4.8% real annual, for 2012 and 2011.
4. **Reserves:** Reserves are determined through a system of fractional due annuities (Article 112 of the Tax Statute).

Note 17- Shareholders' Equity

Share Capital

On May 30, 2012, the spinoff by absorption with Cementos Argos S.A. took place, as approved at the Extraordinary Shareholders Meeting on November 24, 2011. The Company delivered to shareholders of Cementos Argos S.A., different from Grupo Argos S.A. 137,802,657 shares with preferred dividends and without voting rights with a nominal value of \$62.50; as a result the subscribed and paid-in capital of the Company increased by \$8,613 and additional paid-in capital by \$26,531.

As a result of the conversion of the mandatory convertible bonds, the subscribed and paid in capital increased \$2 and additional paid-in by \$750.

The authorized capital is comprised of 1,200,000,000 shares of par value \$62.50 each. The subscribed and paid-in capital is comprised of 788,940,433 (2011- 651,102,432) shares of which 651,102,432 (2011- 651,102,432) are common shares and 137,838,001 are preferred shares. There are 5,702,432 reacquired own common shares for a total of 783,238,001 shares in circulation corresponding to 645,400,000 common shares and 137,838,001 preferred shares.

	2012	2011
Authorized capital-865,000,000 common shares, par value \$62.50	54,063	54,063
Authorized capital-335,000,000 preferred shares, par value \$62.50	20,937	20,937
Total Authorized capital-1,200,000,000 shares, par value \$62.50	75,000	75,000
Subscribed and paid- in capital – 651,102,432, common shares	40,694	40,694
Subscribed and paid- in capital – 137,838,001, preferred shares	8,615	-
Total subscribed and paid capital-788,940,433 shares	49,309	40,694

Holders of preferred shares have the following rights:

- (i) To receive a preferred dividend of \$4 (four pesos) per share, paid preferentially to dividends of common shares, if and when a dividend has been declared from the funds legally available for such. In no case will dividends of common shares be greater than those decreed for preferred shares. In no case will preferred dividends be cumulative for subsequent periods. In each case, the first payment of dividends will correspond to that decreed by the Company after issuance of the shares.
- (ii) To jointly participate with holders of common stock in income for distribution in proportion to their participation in the subscribed capital of the Company, after payment of preferred dividend and common dividend equal to the preferred dividend.

- (iii) To have priority in reimbursements in liquidation process, after complete coverage of external liabilities of the company.
- (iv) To participate in Shareholder Meetings and vote in the following situations:
 - a) In cases where changes may be made which lessen their conditions or rights set for preferred shares. In this case, a vote to approve requires 70% of the shares of subscribed capital, including 70% of preferred shares.
 - b) In voting on conversion of preferred shares to common shares except where the conversion and the terms are specifically regulated. In the event the conversion is not specified in the rules, the same majority indicated in the prior section is needed for approval.
 - c) If after an accounting period, the Company does not generate sufficient income to pay the preferred dividend and the Superintendence of Finance, in its duties or at the request of holders of at least ten percent of preferred shares, establishes that income for distribution has been hidden, it may rule that the holders of these shares may participate in voice and vote in Shareholder Meetings until the irregularities have disappeared, in accordance with Article 64 of Law 222 of 1995.
- (v) To be called to Shareholder Meetings in equal manner and terms as holders of common shares.
- (vi) To have the equal rights of inspection in the same cases, terms and conditions as holders of common shares.

Legal Reserve

The company is obliged to set aside as a legal reserve 10% of annual net profits, until the reserve is equal to 50% of the subscribed capital. The reserve is not distributable before the liquidation of the company, but must be used to absorb or reduce annual net losses. The General Shareholder Meeting may freely dispose of the reserve in excess of the aforementioned 50%.

With the perfection of the spinoff by absorption with Cementos Argos S.A. on May 30, 2012, the Company absorbed a legal reserve of \$9,318.

As of December 31, the legal reserve stood at \$29,665 (2011 - \$20,347).

Statutory reserves

On October 19, 2012, the Extraordinary Shareholder Meeting approved the creation of the following statutory reserves:

1. Mandatory convertible bonds statutory reserve: To allow shares with preferred dividends and without voting rights resulting from the conversion of bonds obligatorily convertible to shares with preferred dividends and without voting rights (BOCEAS) to receive dividends pending payment under the same terms and conditions as the other shares of the Company in circulation with preferred dividends and without voting rights.

The mandatory convertible bonds statutory reserve is established with \$15,000 from non-taxed occasional reserves established by the Company previously.

The Shareholder Meeting can only change the use of the mandatory convertible bonds statutory reserve when the following two events occur: i) when there are no more mandatory convertible bonds in circulation and ii) the last dividend installment pending maturity of the mandatory convertible bonds has been paid.

The reserve was used in December 2012 to pay dividends of \$2 corresponding to \$53 per share of dividends in the fourth quarter for 35,344 preferred shares issued from the conversion of 753 mandatory convertible bonds.

As of December 31, 2012 the balance of the mandatory convertible bonds statutory reserve was \$14,998.

2. Statutory Dividend reserve: The General Shareholders Meeting may, at its discretion, decree and pay out dividends from this reserve.

The statutory dividend statutory reserve is established with \$54,000 from non-taxed occasional reserves established by the Company previously.

As of December 31, 2012 the balance of the statutory dividend reserve was \$54,000.

3. The mandatory convertible bonds reacquisition statutory reserve: This reserve provides for the reacquisition of the bonds obligatorily convertible to shares in circulation issued by the Company.

The mandatory convertible bonds reacquisition statutory reserve is established with \$10,000 from non-taxed occasional reserves established by the Company previously.

The mandatory convertible bonds reacquisition statutory reserve may be increased by the General Shareholders Meeting by appropriation from the non-taxed occasional reserves previously constituted as long as it does not exceed the total amount in circulation.

As of December 31, 2012 the balance of the mandatory convertible bonds reacquisition statutory reserve was \$10,000.

Other reserves

The General Shareholders Meeting on March 28, 2012 appropriated from the non-taxed reserve for future investments \$12,383 for dividend payments.

The Extraordinary Shareholders Meeting on October 19, 2012 transferred \$79,000 from the non-taxed reserve for future investments to the statutory reserves. With the perfection of the spinoff by absorption with Cementos Argos S.A. on May 30, 2012, the Company absorbed reserves for future expansions and investments of \$163,427 and reserves available for the maximum corporate entity of \$427.

The remaining reserves are freely available to shareholders.

Other reserves are comprised of:

	2012	2011
Reserve for future investments	1,890,169	1,981,552
Reserve for expansion	163,427	-
Subtotal reserve for investment and future expansion	2,053,596	1,981,552
Reserve for reacquisition of shares:	5,988	5,988
Reserve available for the maximum corporate entity	427	-
Subtotal other reserves	6,415	5,988
Total	2,060,011	1,987,540

Shareholders' equity Revaluation

Shareholders' equity revaluation reflects the impact on capital caused by the loss of the purchasing power of the currency in accordance with existing legal standards until December 2006.

With the elimination of the adjustments for inflation according to Decree 1536 of 2007, the balance of the capital revaluation account may not be distributed until the Company is liquidated or capitalized; nevertheless, once capitalized it will serve to eliminate losses in the event of dissolution and cannot be used for capital reimbursements. In the event of a debit balance, income from the period or prior periods may be used to diminish this, prior compliance with regulation on income in the Business Code.

Law 1370 of December 30, 2009 and Decree 514 of 2010 maintain the option of recording the capital tax against the capital revaluation account without affecting the results of the period. In accordance with this norm the Company recorded a \$3,811 capital tax for 2011 to 2014.

With the perfection of the spinoff by absorption with Cementos Argos S.A. on May 30, 2012, the Company absorbed capital revaluation of \$145,361.

Note 18 – Memorandum Accounts

Memorandum accounts as of December 31 were comprised of:

	2012	2011
Assets and securities delivered as collateral (1)	2,015,777	1,755,807
Purchase agreements (2)	67,816	-
	2,083,593	1,755,807
Fully depreciated assets	1,292	1,187
Tax memorandum accounts-excess of presumed income over ordinary	20,841	20,260
Tax losses to be amortized	-	624
Difference between accounting and tax capital (3)	168,906	6,235,319
	189,747	6,256,203
Total	2,274,632	8,013,197

- (1) This corresponds to guarantees granted on shares (see Note 4). The larger amount is due to the increase in shares given as guarantee.
- (2) Corresponds to a purchase commitment advance with Compañía de Puertos Asociados S.A. - COMPAS S.A. regarding port properties.
- (3) Tax and accounting differences for assets, the greatest difference is generated in permanent investment.

Note 19 - Operational Income

Operational income for the period ending December 31 was comprised of:

	2012	2011
Equity method (see note 4)	391,344	101.902
Income from sale of investments (1)	107,019	244.757
Dividends (2)	69,936	26.010
Developed properties (3)	29,519	-
Rental of property (4)	4,337	-
Interest	171	-
	602,326	372,669

- (1) The amount relates to the sale in 2012 of 1,381,519 preferred shares of Grupo de Inversiones Suramericana S.A. for \$46,457; 8,331,613 shares of Cementos Argos S.A. for \$60,139; 403,130 shares of Sociedad Portuaria Bocas de Ceniza S.A. for \$406 and 4,200 shares of Celsia S.A. E.S.P. for \$18. For 2011, this relates to the sale of 5,334,653 shares of Bancolombia S.A. for \$150,321; 7,929,464 shares of Cementos Argos S.A. for \$92,775; 2,881,221 shares of Fundicom for \$1,012 and the proceeds from the final liquidation of Predios del Sur S.A. for \$649.
- (2) The amount relates to dividends received from Grupo de Inversiones Suramericana S.A. of \$48,885 (2011 - \$4,875), Grupo Nutresa S.A. of \$12,272 (2011 - \$4,551), Celsia S.A., Bancolombia S.A. of \$7,190 (2011-\$5,248), Occidental de Empaques S.A. of \$1,200 (2011 -\$1,190) and others of \$390 (2011 -\$146).

Dividends received for the shares received from the spin-off by absorption of Cementos Argos S.A. were:

Issuer	Shares Received	Dividends Received
Grupo de Inversiones Suramericana S.A.	69,000,400	15,939
Bancolombia S.A.	10,187,904	5,410
Grupo Nutresa S.A.	24,940,650	7,482
Fondo Regional Garantías del Caribe Colombiano S.A.	2,730	40
Sociedad Portuaria Regional Barranquilla S.A.	12,771	26

- (3) Income received from the real-estate business is mainly generated from the sales of developed lots: Inversiones Inmobiliarias Barranquilla S.A. for \$ 16,240 – Lots C2, C3, C4, C5 Centro Internacional del Caribe; Júpiter Asociados S.A. for \$3,230 – Lots B1, B3, B4, B5 Centro Internacional del Caribe; Alianza Fiduciaria S.A. for \$3,341 – Lot B2 Villa Carolina VII Phase and Urbanizadora Marín Valencia for \$6,708 – Lot A3 Portal de Alejandría and Lot A2 Villa Carolina VII Phase.
- (4) The amount relates to rental of properties of the Company occupied by Cementos Argos S.A. and Concretos Argos S.A. (see note 26)

Note 20 - Cost of Sale

	2012	2011
Cost of sale of investments (1)	51,789	31,823
Cost of sale of developed properties	17,884	-
	69,673	31,823

- (1) The amount relates to the sale in 2012 of 1,381,519 preferred shares of Grupo de Inversiones Suramericana S.A. for \$45,134; 8,331,613 shares of Cementos Argos S.A. for \$6,234; 403,130 shares of Sociedad Portuaria Bocas de Ceniza S.A. for \$406 and 4,200 shares of Celsia S.A. E.S.P. for \$15. For 2011, this relates to the sale of 5,334,653 shares of Bancolombia S.A. for \$19,582; 7,929,464 shares of Cementos Argos S.A. for \$8,668; 2,881,221 shares of Fundicom for \$2,881 and the proceeds from the final liquidation of Predios del Sur S.A. for \$692.

Note 21 – Administration Expenses

At December 31st administration expenses were comprised of:

	2012	2011
Fees (1)	14,848	7.290
Personnel expenses (2)	9,106	-
Services (3)	5,777	343
Taxes	4,734	2.078
Amortization of intangibles (4)	1,829	1.810
Contributions and affiliations (5)	1,008	372
Insurance	839	163
Rentals	791	-
Travel expenses	559	5
Maintenance and repairs	344	-
Commissions	295	596
Legal expenses	203	5
Depreciation	179	192
Adaptation and installation	30	-
Others	1,127	224
	41,669	13,078

- (1) The amount relates mainly to a success fee in the provision of financial consulting service by Banca de Inversión Bancolombia S.A. for the structuring and issuance of mandatory convertible bonds issue of \$4,867, back office administrative services of \$2,622 and handling of mining certificates of \$1,571. In 2011 this related principally to back office services of \$5,396, financial consulting by BNP Paribas Corporate Finance of \$958 and sectorial studies by Citivalores S.A. of \$466.

- (2) The amount relates principally to personnel expenses paid by the Company. As of the spinoff by absorption, Grupo Argos S.A. has its own employees and directors.
- (3) The amount relates principally to surveillance services at properties of the real-estate business of \$3,753.
- (4) The amount relates principally to the amortization of mercantile credit generated by the purchase of shares of Celsia S.A.. E.S.P. for \$1,829;
- (5) The increase corresponds to payment to the Superintendence of Finance of rights in the Sole Registry in Securities and Issuers and registration fees for the mandatory convertible bonds.

Note 22 - Sales Expenses

At December 31 sales expenses were comprised of:

Legal expenses (1)	640
Taxes (2)	402
Depreciation	5
Total	1,047

- (1) Legal expenses relates to payments made to the Departamento del Atlántico for legal expenses related to the purchase of the Centro Internacional del Caribe.
- (2) Taxes relates to Departamento del Atlántico Pro-hospital stamp taxes paid on lots B1, B3, B4, B5, C2, C3, C4, C5.

In 2011, the company did not have sales expenses.

Note 23 - Provisions

Provisions expenses as of December 31 were comprised of:

	2012	2011
Provisions for protection of investments	13,748	1,726
	13,748	1,726

Relates principally to a provision for the investment in Merger Link Corp. for \$12,43, Carbones del Caribe S.A.S. por \$ 719, Urbanizadora Villa Santos S.A.S. for \$37, Internacional Ejecutiva de Aviación S.A.S. for \$89 and Contreebute S.A.S. for \$726. In 2011, to the investment in Empresa de Energía del Pacífico S.A. E.S.P. for \$596, Fundiciones Colombia S.A. for \$322 and Contreebute S.A.S. for \$468.

Note 24 - Other Income

Other income as of December 31 was comprised of:

	2012	2011
Recoveries (1)	11,732	2,586
Gain from sale of property and equipment (2)	1,832	-
Income from sale of Intangibles (3)	1,744	-
Services (4)	562	-
	15,870	2,586

- (1) The amount includes recovery of investment provisions of \$9,513 relating to the closing of the Portal del Alejandría project. Also includes the recovery of investment provisions of \$199 (2011 - \$2,547) and other costs and expenses of \$2,018 (2011 - \$30).
- (2) Gain from sale of property and equipment relates to the sales of port land delivered in the capitalization of Sociedad Portuaria Golfo de Morrosquillo S.A.
- (3) Profit from sale of Intangibles relates to the sale to Correval S.A. of the fiduciary rights incorporated in public deed No 9486 of Notary 72 of Bogotá on November 27, 2009 relating to the administration of the office 5th floor BVC Building.
- (4) The amount relates to directors' policy taken out by the company.

Note 25 - Other Expenses

Other expenses as of December 31 were comprised of:

	2012	2011
Taxes incurred (1)	2,867	776
Non-operative assets expenses (2)	1,724	-
Pension	1,186	754
Donations	501	2,500
Costs and expenses of prior periods	14	10
Other expenses (3)	1,569	121
	7,861	4,161

- (1) The amount relates principally to taxes on financial transaction of \$2,866 (2011 - \$624).
- (2) The amount includes expenses associated with maintenance of non-productive assets, taxes of \$714 and services for \$726.
- (3) Other expenses relate to maintenance, repairs, construction and supplies paid to third parties for non-operative assets.

Note 26- Transactions with Related Parties

The following is a summary of assets and liabilities on December 31, 2012 and 2011 and revenue and expenses of the Company for transactions carried out during the period ended on that date with related parties:

1. The account balances of assets and liabilities at December 31 are as follows:

	2012		2011	
	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE
Carbones del Caribe S.A.S.: S.	739	8	-	-
Cementos Argos S.A.	4,352	2,603	-	8,640
Compañía de Puertos Asociados S.A.-COMPAS S.A.	17,024	-	-	-
Concretos Argos S.A.	989	-	-	-
Corporaciones e Inversiones del Mar Caribe S.A.S.	125	-	125	-
Fucol S.A. Fundiciones Colombia	-	427	-	441
Industrias Metalúrgicas Apolo S.A.	1,094	-	1,037	-
Inversiones El Duero S.A.S.	-	9,905	-	7,342
Logística de Transporte S.A.	12	-	-	-
Reforestadora del Caribe S.A.S.	23	-	-	-
Urbanizadora Villa Santos S.A.S.	33,459	699	-	-
Zona Franca Argos S.A.S.	33	-	-	-
Total	57,850	13,642	1,162	16,423

Loans are to Carbones del Caribe S.A.S. for \$729, Urbanizadora Villa Santos S.A.S. for \$4,671 and Compañía de Puertos Asociados S.A.- COMPAS S.A. for \$15,619 at an average annual rate of 4,98% .

2. Revenues generated in the period January 1- December 31:

	2012				2011	
	Equity method	Interest	Services	Rentals	Equity method	Interest
Carbones del Caribe S.A.S.:	(37,693)	445	-	-	-	-
Celsia S.A. E.S.P.	115,784	-	-	-	76,536	-
Cementos Argos S.A.	236,231	-	-	3,678	(126,145)	67
COMPAS S.A.	1,650	414	-	-	-	-
Concretos Argos S.A.	-	-	-	876	-	-
EPSA S.A. E.S.P.	32,910	-	-	-	22,804	-
Inversiones El Duero S.A.S.	2,638	-	-	-	2,380	-
Logística de Transporte S.A.	-	-	10	-	-	-
Merger Link Corp.	(389)	-	-	-	-	-
Internacional Ejecutiva de Aviación S.A.S.	(2,615)	-	-	-	-	-
Inversiones RoundCorp S.A.S.	(91)	-	-	-	-	-
Point Corp.	-	-	-	-	181	-
Reforestadora del Caribe S.A.S.	-	-	23	-	-	-
Urbanizadora Villa Santos S.A.S.	(937)	119	-	-	-	-
Valle Cement Investments Ltd.	2,131	-	-	-	-	-

3. Expenses generated in the period January 1- December 31:

	2012			2011		
	Fees	Interest	Rent	Fees	Interest	Services
Carbones del Caribe S.A.S.:	1,571	-	-	-	-	-
Celsia S.A. E.S.P.	-	-	147	-	-	-
Cementos Argos S.A.	2,622	-	80	4,652	21	141
Inversiones El Duero S.A.S.	-	417	-	-	212	-

4. The company paid fees to members of Board of Directors for \$274 (2011 - \$256). No additional transaction was done with a shareholder of 10% or more of the shares in circulation, Board members, legal representatives or with companies where a member shareholder of Board or Executive Officer of the issuer has a participation over 10%. No decisions were taken under the influence or interest of the Company or any of its subordinates.

Transactions with shareholders, directors, legal representatives and administrators were:

2012				
	Shareholders:	Directors	Legal Representatives and Administrators	
At year-end assets				
Accounts receivable	-	-		5,450
Total Assets	-	-		5,450
Expenses				
Salaries	-	-		2,016
	-	-		2,016

Transactions with legal representatives and administrators involve labor policy approved by the Board of Directors and policies which authorize benefits to all employees not covered by the collective work convention; these include housing purchases, housing improvements, acquisition of vehicles and loans for domestic emergencies. Each of the benefits is covered by adequate regulations and sufficient guarantees.

Note 27- Contingencies

During 2012 and 2011 there were no:

1. Inspection visits by controlling agencies that resulted in warnings or sanction.
2. Administrative, contentious or civil final and binding sanctions imposed by the relevant national, departmental or municipal authorities.
3. Judgments against Company officers for events occurred in the performance of their duties in office under criminal prosecution proceedings.

NOTE 28 – RECLASSIFICATIONS IN THE FINANCIAL STATEMENTS

Certain figures shown in the financial statements as of December 31, 2012 were reclassified for presentation purposes.

Financial Ratios

	2012	2011
Current ratio - times (current assets / current liabilities)	0,75	0,06
Total indebtedness (total liabilities / total assets)	12,90%	11,27%
Asset turnover - times (operating revenues / total assets)	0,04	0,03
Profitability:		
Net margin (net income / operating revenues)	57,10	41,23
Return on shareholders' equity (net income / shareholders' equity)	2,45%	1,44%
Return on total assets (net income / total assets)	2,13%	1,28%
EBITDA	436.476	201.899
EBITDA Margin	72,47%	54,18%
EBITDA on total shareholders' equity	3,10%	1,90%

Information Summary

Shares:

Par value	62.50	62.50
Capital	17,951.62	16,505.66

The current ratio improved due to an increase in current assets from \$63,530 in 2011 to \$720,329 in 2012. This increase is due to increases in cash and temporary investments originating from resources obtained in the issuance of the mandatory convertible bonds.

Total debt: Increased by 14.5%. Total liabilities at year end were close to two trillion pesos. The difference is due to a change in the Company's financing strategy through the issuance of commercial paper and bonds obligatorily convertible to shares.

Asset rotation: Asset turnover increased from 0.03 in 2011 to 0.04 in 2012; while there was a 62% increase in operating income due to increased dividends and income using the equity method (note 19) , assets increased 34% due to the absorption of assets of Cementos Argos S.A. and the increased amount of investments (note 9).

Net margin: Increased 39%. This is due to a 124% increase in net income.

Return on Equity: ROE increased 70% from 2011 to 2012 due to the 124% increase in net income. This increase is due to the increase in operating income from increased dividends and income through the equity method (note 19).

Return on Total Assets: ROA increased 66% from 2011 to 2012 due to the 124% increase in net income. This increase is due to the increase in operating income from increased dividends and income through the equity method (note 19).

EBITDA: EBITDA increased 116% from 2011 to 2012. This increase is due to the 62% increase in operating income (note 19) as well as a reduction in losses through the equity method (note 4).

EBITDA Margin: EBITDA margin increased from 54.2% in 2011 to 72.5% in 2012. This is due to an increase in EBITDA (see above).

EBITDA/total equity: This ratio increased 63% from 2011 to 2012 because of the 116% increase in EBITDA and an increase in equity through the valuation of assets, principally permanent investment (note 9).

Ratio	Formula	Description
Liquidity		
Current ratio (times)	Current assets / Current liabilities	Measures the Company's ability to meet short-term debt obligations, involving its current assets.
Indebtedness		
Total indebtedness	Total liabilities / Total assets * 100	Shows leverage relevant to the participation of creditors in Company assets.
Profitability		
Asset turnover (times)	Operating income / Total assets	The amount in pesos generated by every peso of assets; it measures how efficiently the assets have been used to generate operating revenues.
Net profit margin	Net income / Operating income * 100	Out of every peso of revenues, how many pesos of income are generated regardless if they are related or not with the Company's corporate purpose.
Return on shareholders' equity	Net income / Shareholders' equity * 100	Percentage of net income on shareholders' equity. Shows the profitability of shareholders' investment.
Total return on assets	Net income / Total assets * 100	Net income generated by each peso invested in total assets, regardless of how it was financed.
EBITDA	Operating income + depreciation + amortization	Cash flows generated by the Company's operation.
EBITDA margin	EBITDA / Operating revenues * 100	The amount that becomes cash out of each peso of revenue in order to pay taxes, support investments, repay debt and distribute profits.
EBITDA / Shareholders' equity	EBITDA / Shareholders' equity * 100	The amount that becomes cash out of each peso in shareholders' equity in order to pay taxes, support investments, repay debt and distribute profits.



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