



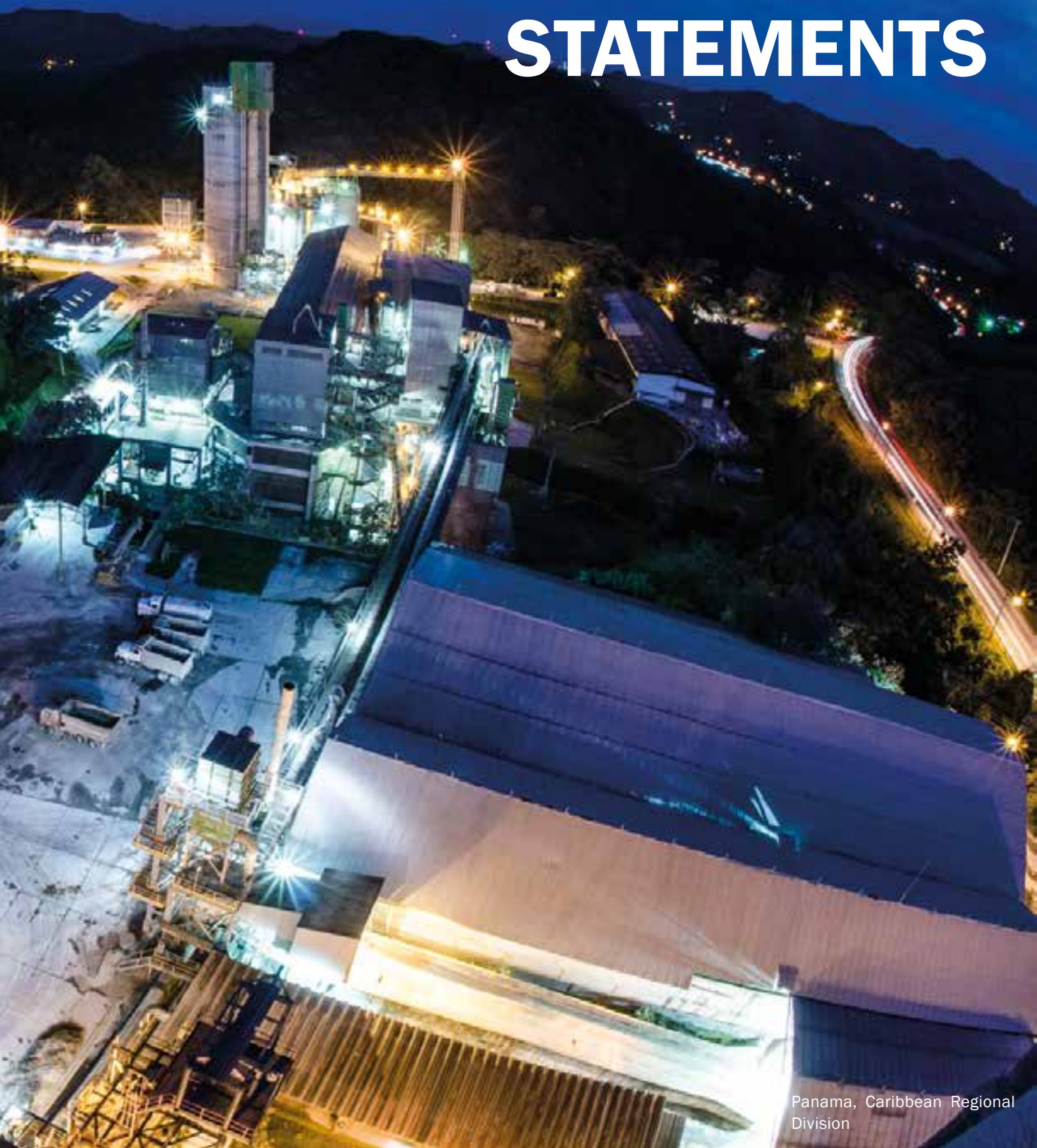
Cartagena Plant, Colombia



7

ANNEXES

CONSOLIDATED FINANCIAL STATEMENTS




CEMENTOS ARGOS S.A. CONSOLIDATED BALANCE SHEET

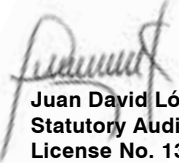
As of December 31
(Millions of Colombian pesos)

ACTIVOS	Notes	2012	2011
CURRENT ASSETS			
Cash		155,106	262,952
Negotiable investments	5	1,759	27,983
Receivables, net	6	796,519	837,267
Inventories, net	7	355,379	376,626
Prepaid expenses		24,910	29,530
TOTAL CURRENT ASSETS		1,333,673	1,534,358
NON-CURRENT ASSETS			
Long-term debtors	6	39,718	53,815
Inventories, net	7	-	38,237
Long-term investments	8	145,095	299,457
Property, plant and equipment, net	9	3,779,319	4,177,137
Deferred and intangible assets	10	1,375,489	1,466,387
Other assets		19,437	26,933
Asset revaluations	19	3,573,985	9,184,742
TOTAL NON-CURRENT ASSETS		8,933,043	15,246,708
TOTAL ASSETS		10,266,716	16,781,066
LIABILITIES AND NET EQUITY			
CURRENT LIABILITIES			
Financial liabilities	11	653,308	1,269,423
Bonds outstanding	12	77,200	224,002
Commercial paper	12	-	199,030
Suppliers and accounts payable	13	560,779	618,347
Taxes, levies and contributions	14	124,320	121,499
Labor liabilities	16	51,106	38,470
Other liabilities	17	302,963	322,083
TOTAL CURRENT LIABILITIES		1,769,676	2,792,854
LONG-TERM LIABILITIES			
Financial liabilities	11	369,717	719,717
Taxes, levies and contributions	14	30,745	63,481
Labor obligations	16	255,627	253,366
Deferred liabilities	15	38,166	135,676
Accounts payable	13	75,857	111,122
Bonds outstanding	12	1,930,588	1,006,146
TOTAL NON-CURRENT LIABILITIES		2,700,700	2,289,508
TOTAL LIABILITIES		4,470,376	5,082,362
Minority interest		82,855	81,305
SHAREHOLDERS' EQUITY , see attached statement	18	5,713,485	11,617,399
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		10,266,716	16,781,066
Memorandum Accounts	20	2,233,588	3,517,113

The accompanying notes form integral part of the financial statements.


Jorge Mario Velásquez J.
 Legal Representative
 (See attached certificate)


Óscar Rodrigo Rubio C.
 Corporate Accounting Manager
 License No. 47208-T
 (See attached certificate)


Juan David López M.
 Statutory Auditor
 License No. 139197-T
 Assigned by Deloitte & Touche Ltda.
 (See attached report)

CEMENTOS ARGOS S.A. CONSOLIDATED INCOME STATEMENT

Years ended on December 31


(Millions of Colombian pesos, except earnings per share)

	Notes	2012	2011
Operating revenues		4,380,393	3,668,610
Cost of sales		3,468,457	2,904,365
GROSS PROFIT		911,936	764,245
Operating expenses			
Administrative expenses	21	327,095	282,230
Sales expenses	22	170,274	134,722
Total operating expenses		497,369	416,952
OPERATING INCOME BEFORE ASSET IMPAIRMENT		414,567	347,293
Asset impairment	10	-	74,460
OPERATING INCOME AFTER ASSET IMPAIRMENT		414,567	272,833
Other non-operating revenues (expenses)			
Financial revenues		12,498	18,785
Dividends and participations	23	35,512	72,283
Financial expenses		(223,942)	(195,963)
Exchange rate differences	24	(1,160)	(15,848)
Other revenues	25	362,262	746,023
Other expenses	26	(182,947)	(493,335)
PRE-TAX INCOME		416,790	404,778
Income tax provision	14	17,083	25,024
INCOME BEFORE MINORITY INTEREST		399,707	379,754
Participation of minority interests in subsidiary companies		(12,088)	(9,780)
CONSOLIDATED NET INCOME		387,619	369,974
Net earnings per share		336.6	321.2

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


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CEMENTOS ARGOS S. A. STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

Years ended on December 31
(Millions of Colombian pesos)

	Capital	Premium on placement of shares	Legal reserve	Reserve for future expansion and investments	Other reserves	Total Reserves	Revaluation of equity	Earnings from previous periods	Earnings of the period	Asset Revaluation Surplus	Total Shareholders' equity
BALANCES AT DECEMBER 31, 2010	7.291	210.819	23.163	646.633	15.894	685.690	981.739	-	288.878	9.001.660	11.176.077
Transfer to income from previous periods	-	-	-	-	-	-	-	-	-	-	-
Release of non-taxable reserves for future expansions	-	-	-	(6.135)	-	(6.135)	-	288.878	288.878	-	-
Dividends declared in cash at \$132 per year per share payable in four installments starting in April, 2011	-	-	-	-	-	-	-	6.135	-	-	-
Other transactions involving reserves	-	-	-	-	17.479	17.479	-	(152.021)	-	-	(152.021)
Transactions related to translation of financial statements	-	-	-	-	-	-	-	-	-	-	17.479
Appropriation for reserve for future expansions	-	-	-	142.992	-	142.992	37.396	(142.992)	-	-	37.396
Tax on equity	-	-	-	-	-	-	(126.961)	-	-	-	(126.961)
Adjustments from valuation of assets	-	-	-	-	-	-	-	-	-	295.455	(295.455)
Period income	-	-	-	-	-	-	-	-	369.974	-	369.974
BALANCES AT DECEMBER 31, 2011	7.291	210.819	23.163	783.490	33.373	840.026	892.174	-	369.974	9.297.115	11.617.399
Transfer to income from previous periods	-	-	-	-	-	-	-	-	-	-	-
Release of non-taxable reserves for future expansions	-	-	-	(51.234)	-	(51.234)	-	369.974	(369.974)	-	-
Dividends declared in cash at \$140 per year per share payable in four installments starting in April, 2012	-	-	-	-	-	-	-	51.234	-	-	-
Spin-off	(1.175)	(33.970)	(9.318)	(163.428)	(427)	173.173	(145.358)	-	-	(5.545.613)	(161.234)
Capitalization of premium in placement of shares	1.175	(1.175)	-	54.788	(17.496)	37.292	9.937	-	-	-	(5.899.289)
Realized gains during the year	-	-	-	259.974	-	259.974	-	259.974	-	-	47.229
Appropriation for reserve for future expansions	-	-	-	-	-	-	-	-	-	-	-
Adjustments from valuation of assets	-	-	-	-	-	-	-	-	-	(278.239)	(278.239)
Period income	-	-	-	-	-	-	-	-	387.619	-	387.619
BALANCES AT DECEMBER 31, 2012	7.291	175.674	13.845	883.590	15.450	912.885	756.753	-	387.619	3.473.263	5.713.485


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(See attached report)


CEMENTOS ARGOS S.A.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

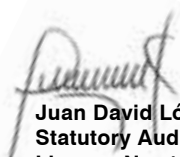
Years ended on December 31
(Millions of Colombian pesos)

	2012	2011
THE FINANCIAL RESOURCES WERE PROVIDED BY:		
Net profit	387,619	369,974
Plus (minus) debits (credits) to results that do not affect working capital		
Depreciation of property, plant and equipment	312,404	269,813
Amortization of deferred charges and other charges	64,219	138,898
Other amortizations	1,642	18,625
Write-off of intangible assets	-	96,799
Recovery of investment provision	(2,463)	-
Exchange rate differences in long-term financial liabilities and accounts payable	(75,787)	53,325
Gain from the sale of property, plant and equipment	(4,017)	(8,554)
Loss from the sale of property, plant and equipment	546	-
Loss from disposal of other assets	3,182	-
Loss from disposal of property, plant and equipment	996	13,803
Gain on the sale of long-term investments	(231,369)	(641,155)
Amortization of retirement pensions	-	26,795
Participation of minority interests	12,088	9,780
Asset impairment	-	74,460
WORKING CAPITAL PROVIDED BY OPERATIONAL ACTIVITIES	469,060	422,563
FINANCIAL RESOURCES FROM OTHER SOURCES:		
Sale of property, plant and equipment	6,180	21,056
Sale of long-term investments	257,303	715,280
Decrease in long-term inventories	38,237	1,175
Decrease in deferred and intangible assets	3,505	-
Decrease in other assets	-	17,386
Increase in long-term labor liabilities	2,261	1,581
Increase in long-term bonds	922,800	-
Increase in shareholders' equity due to other variations	-	192,733
Increase in long-term taxes	-	63,481
TOTAL FINANCIAL RESOURCES PROVIDED	1,699,346	1,435,255
THE FINANCIAL RESOURCES WERE USED IN:		
Increase in long-term accounts receivable	15,295	15,585
Acquisition of property, plant and equipment	167,346	253,530
Acquisition of long-term investments	746	-
Increase in deferred and intangible assets	4,638	159,046
Increase in long-term investments due to realized gains	-	33,474
Net increase in property, plant and equipment due to incorporation of companies	-	1,349,042
Declared dividends	161,234	152,021
Decrease in long-term financial liabilities	274,213	34,093
Decrease in long-term accounts payable	35,265	25,410
Decrease in long-term taxes	32,736	-
Decrease in long-term deferred liabilities	89,880	25,193
Net effect of divestment	25,958	-
Transfer of bonds to short term	-	224,002
Decrease in minority interest	69,542	7,163
Tax on equity	-	127,347
TOTAL FINANCIAL RESOURCES USED	876,853	2,405,906
INCREASE (DECREASE) IN WORKING CAPITAL	822,493	(970,651)
CHANGES IN WORKING CAPITAL COMPONENTS:		
Cash and temporary investments	(134,070)	(185,195)
Accounts receivable, net	(40,748)	149,394
Inventories, net	(21,247)	87,151
Pre-paid expenses	(4,620)	5,913
Financial liabilities	616,115	(587,241)
Bonds outstanding	146,802	(224,002)
Trade papers	199,030	50,970
Suppliers and accounts payable	57,568	(117,598)
Taxes, levies and contributions	(2,821)	(75,054)
Labor liabilities	(12,636)	(2,051)
Other liabilities	19,120	(72,938)
INCREASE (DECREASE) IN WORKING CAPITAL	822,493	(970,651)

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


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(See attached certificate)


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(See attached report)


CEMENTOS ARGOS S.A.

CONSOLIDATED STATEMENT OF CASH FLOW

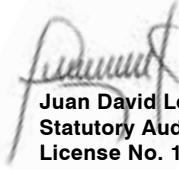
Years ended on December 31
(Millions of Colombian pesos)

	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit	387,619	369,974
Adjustments to reconcile net profit to net cash from operating activities		
Depreciation of property, plant and equipment	312,404	269,813
Amortization of deferred charges and other charges	64,219	138,898
Other amortizations	1,642	18,625
Write-off of intangible assets	-	96,799
Recovery of investment provision	(2,463)	-
Gain from the sale of property, plant and equipment	(4,017)	(8,554)
Loss from the sale of property, plant and equipment	546	-
Loss from disposal of other assets	3,182	-
Loss from disposal of property, plant and equipment	996	13,803
Gain from the sale of long-term investments	(231,369)	(641,155)
Amortization of retirement pensions	-	26,795
Revenues receivable	(5,822)	(15,851)
Provision for the protection of receivables	8,497	5,243
Provision for the protection of inventories	1,768	2,138
Exchange rate differences in long-term financial liabilities and accounts payable	(75,787)	53,325
Participation of minority interests	12,088	9,780
Asset impairment	-	74,460
SUB-TOTAL OPERATING CASH FLOW	473,503	414,093
CHANGES IN OPERATING ASSETS AND LIABILITIES		
Accounts receivable	(34,886)	(154,371)
Inventories	(74,136)	(88,114)
Prepaid expenses	4,620	(5,913)
Suppliers and accounts payable	11,757	117,598
Labor liabilities	16,907	3,632
Taxes, levies and contributions	(26,088)	75,054
Other liabilities	46,986	72,938
Deferred liabilities	(89,880)	(25,193)
NET CASH PROVIDED BY OPERATING ACTIVITIES	328,783	409,724
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Sale of property, plant and equipment	6,180	21,056
Sale of long-term investments	257,303	715,280
Acquisition of property, plant and equipment	(167,346)	(253,530)
Acquisition of long-term investments	(746)	-
Net increase in property, plant and equipment due to incorporation of companies	-	(1,349,042)
Decrease (increase) in deferred and intangible assets	3,505	(159,046)
Increase in long-term investments from realized gains	-	(33,474)
(Increase) decrease in other assets	(4,638)	17,386
NET CASH FLOW PROVIDED BY INVESTMENT ACTIVITIES	94,258	(1,041,370)
CASH FLOW USED IN INVESTMENT ACTIVITIES:		
Declared dividends	(161,234)	(152,021)
Payment of outstanding bonds and trade papers	(423,032)	(50,970)
Issue of bonds	1,000,000	-
(Decrease) increase in financial liabilities	(868,038)	553,148
Decrease in long-term taxes	-	63,481
Decrease in long-term accounts payable	(35,265)	(25,410)
Tax on equity	-	(127,347)
(Decrease) increase in shareholders' equity due to other changes	-	192,733
NET CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES	(487,569)	453,614
Decrease in cash and cash equivalents	(64,528)	(178,032)
Other items that do not affect cash		
Decrease in minority interest	(69,542)	(7,163)
Cash and equivalents at the beginning of the year	290,935	476,130
CASH AND EQUIVALENTS AT THE END OF THE YEAR	156,865	290,935
CASH EQUIVALENTS		
Cash	155,106	262,952
Negotiable investments	1,759	27,983
CASH AND CASH EQUIVALENTS	156,865	290,935

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


Jorge Mario Velásquez J.
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CONSOLIDATED
STATEMENT
OF CASH FLOW

CONSOLIDATED STATEMENT OF
CHANGES IN FINANCIAL POSITION

STATEMENT OF CHANGES
IN CONSOLIDATED
SHAREHOLDERS' EQUITY

CONSOLIDATED
INCOME STATEMENT

CONSOLIDATED
BALANCE SHEET

CERTIFICATION BY THE LEGAL REPRESENTATIVE OF THE COMPANY

Barranquilla, February 21, 2013

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

In my capacity of 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 inaccuracies, misstatements or material errors that would prevent knowing the true financial position or the operations carried out by Cementos Argos S.A. during the relevant period.



Jorge Mario Velásquez J.
Legal Representative
Cementos Argos S.A.


CERTIFICATION BY THE LEGAL REPRESENTATIVE AND THE CORPORATE HEAD ACCOUNTANT OF THE COMPANY


Barranquilla, February 21, 2013

To the shareholders of Cementos Argos S.A.:

The undersigned Legal Representative and Corporate Head Accountant of Cementos Argos S.A. do hereby 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 prior to making them available to you and to third parties we have verified the following statements therein contained:

- a) All assets and liabilities included in the consolidated financial statements of the Company 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 facts of the Company during the years ended on December 31, 2012 and 2011 have been recognized in the financial statements.
- c) 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.
- d) All items have been recognized for the appropriate amounts according to the generally accepted accounting principles of Colombia.
- e) All economic events affecting the Company and its subsidiaries have been duly classified, described and disclosed in the financial statements.


Jorge Mario Velásquez J.
Legal Representative
Cementos Argos S.A.


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



STATUTORY AUDITOR'S REPORT

To the shareholders of CEMENTOS ARGOS S.A.:

I have audited the consolidated general balance sheets of CEMENTOS ARGOS S.A. and its subsidiaries as of December 31, 2012 and 2011, and the corresponding statements of income, of changes in shareholders' equity, of changes in financial position and of cash flow for the years ended on said dates, and the summary of the main accounting policies and other explanatory notes.

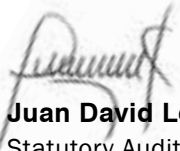
Management is responsible for the preparation and correct presentation of the financial statements according to the generally accepted accounting principles of Colombia. This responsibility includes: designing, implementing and maintaining an internal control system for the preparation and presentation of the financial statements, free from significant misstatements, either by fraud or error; selecting and applying appropriate accounting policies; and performing accounting estimations that are reasonable under the circumstances.

My responsibility is to express an opinion on these financial statements based on my audits. I have obtained the information required to carry out my work according to generally accepted auditing standards in Colombia. Said standards require me to plan and perform the audit so as to obtain reasonable assurance on whether the financial statements are free from material misstatements. A financial statement audit includes examining, on a selective basis, the evidence that supports the figures and disclosures of the financial statements. The auditing procedures selected depend on the professional judgment of the auditor, including his assessment of the risk of significant errors in the financial statements. In assessing such risk, the auditor takes into consideration the Company's internal controls of relevance for the reasonable preparation of the financial statements, in order to design audit procedures that are appropriate under the circumstances. An audit also includes evaluating the appropriateness of the accounting principles used for significant accounting estimations made by Management, as well as an evaluation of the overall presentation of the financial statements. I believe my audits have provided a reasonable basis to express my opinion.

As of December 31, 2012 and 2011, CEMENTOS ARGOS S.A. had direct and indirect investments in companies audited by other external and statutory auditors, consolidated using the global integration method, based on the financial statements of those companies as at said dates, which represent 6% and 5% of the assets and 7% and 9% of total consolidated revenues, respectively.

In my opinion, based on my audits and the audits performed by the external and statutory auditors of the subsidiaries mentioned above, the aforementioned consolidated financial statements reasonably represent, in all material aspects, the financial situation of CEMENTOS ARGOS S.A. and its subsidiaries as of December 31, 2012 and 2011, the results of their operations, the changes in shareholders' equity, the changes in financial position and cash flows for the years ended on said dates, according to the generally accepted accounting principles of Colombia, applied on a uniform basis.

As indicated in Note 1 of the consolidated financial statements, on May 30, 2012, the spin-off by absorption was completed, whereby Cementos Argos S.A. delivered to the parent company Grupo Argos S.A. net consolidated assets in the amount of \$5.9 billion. This operation affects the comparability of the attached financial statements.



Juan David López M.

Statutory Auditor

T.P. 139197-T

Assigned by Deloitte & Touche Ltda.

February 21, 2013



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF CEMENTOS ARGOS S.A.

AS OF DECEMBER 31, 2012 and 2011

(Millions of Colombian pesos, except as otherwise stated)

NOTE 1 –REPORTING ENTITY

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. Its main place of business is the city of Barranquilla and the life span of the Company expires on August 14, 2060.

By means of public deed No. 2503, registered at the Chamber of Commerce of Barranquilla on May 30 of 2012, a spin-off by absorption was completed to make the Company an organization focused on the cement, concrete and aggregates businesses, following approval by the Financial Superintendence through Resolution 616 of April 26, 2012.

The net assets transferred to Grupo Argos S.A. (formerly Inversiones Argos S.A.) are comprised by:

Accounts receivable	87,056
Inventory – urban development works	131,852
Investments in equities and valuations	3,114,731
Properties and equipment, net and valuations	2,736,322
Other assets	35,085
Liabilities	171,188
Shareholders' equity (net assets)	5,933,858

Cementos Argos S.A. owns 59 subsidiary companies, which it consolidates, with presence in Colombia, Suriname, United States of America, British Virgin Islands, Curacao, Panama, Dominican Republic and Venezuela. The following are the companies included in the consolidated financial statements of Cementos Argos S.A.:

ALIANZA PROGENÉTICA S.A.S.

A company incorporated under the laws of Colombia on July 8, 2004. Its main place of business is the city of Medellin and the duration of the company is indefinite. Its main corporate purpose is the provision of all kinds 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 prime purpose is investments and the term of duration is perpetual.

ARGOS U.S.A. CORP.

A company incorporated under the laws of the State of Delaware (United States) on December 19, 2006; its main place of business is the city of Houston (Texas). Its corporate purpose is the development of lawful activities involving investments in the cement sector, concrete and related products. The term of duration is perpetual. 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.

CARBONES DEL CARIBE S.A.S.

A company incorporated under the laws of Colombia on October 28, 1981; its main place of business is the city of 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. This company is consolidated only until 2011, because it was absorbed by Grupo Argos S.A.

C.I. DEL MAR CARIBE BVI INC.

A company incorporated under the laws of the British Virgin Islands on June 2, 2004; its main place of business is 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 perpetual.

CANTERAS DE COLOMBIA S.A.S.

A company incorporated under the laws of Colombia on November 9, 1979; its main place of business is the city of Medellin and its term of duration is indefinite. Its corporate purpose is the exploration, exploitation, transformation, benefit, 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.

CARICEMENT ANTILLES NV

A limited liability partnership incorporated under the laws of the Netherlands Antilles on December 10, 1999. Its prime corporate purpose is investments. Its main place of business is 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.

CEMENT AND MINING ENGINEERING INC.

A company incorporated under the laws of Panama on February 4, 1997; its main place of business is Panama City; its prime 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 perpetual.

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. Its main place of business is Panama City, Republic of Panama, and the term of duration is perpetual. 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 COLÓN S.A.

A stock company incorporated under the laws of the Dominican Republic on February 12, 1996; its prime 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. Its main place of business is the city of Santo Domingo and the term of duration is indefinite. In 2012 the company was consolidated under Concretos Argos Dominicanos, S.R.L. and was merged with Compañía de Electricidad de Najayo S.A.

COLCARIBE HOLDINGS S.A.

A company incorporated under the laws of Panama on June 25, 1996; its main place of business is Panama City; Its corporate purpose is to negotiate or dispose of securities, bonds, participations in other companies and rights of all kinds, 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 perpetual.

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. Its main place of business is the city of 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 kinds 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.

CONCRETOS ARGOS S.A.

A stock corporation incorporated under the laws of Colombia on April 22, 1985; its prime 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. Its main place of business is 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 engages 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; its main place of business is 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. Its main place of business is 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 perpetual. This company is consolidated with Cimenterie Nationale S.E.M. (CINA).

INTERNATIONAL CEMENT COMPANY S.A.

A company incorporated under the laws of Panama on November 24, 1997; its main place of business is 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 perpetual.

LOGÍSTICA DE TRANSPORTE S.A.

A corporation incorporated under the laws of Colombia on April 16, 1996; its main place of business is 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.

POINT CORP.

A company incorporated under the laws of the British Virgin Islands on February 20, 2001; its main place of business is the city of 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 limited liability partnership 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 3, 2001; its corporate purpose is the marketing of cement and related products. Its life span is perpetual.

REFORESTADORA DEL CARIBE S.A.S.

A company incorporated under the laws of Colombia on February 14, 1983; its main place of business is 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 main place of business is Buenaventura; its prime 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. This company is consolidated only until 2011 because it was spun off to Grupo Argos 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. Its main place of business is Sincelejo and its life span goes to October 31, 2045. This company is consolidated only until 2011 because it was spun off to Grupo Argos 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. Its main place of business is Barranquilla and its duration expires on October 10, 2050. This company is consolidated only until 2011 because it was spun off to Grupo Argos 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. Its main place of business is Barranquilla and its duration expires on May 22, 2052. This company is consolidated only until 2011 because it was spun off to Grupo Argos 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 main place of business is 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. Its main place of business is 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. Its main place of business is the city of 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; its main place of business is the British Virgin Isles and its corporate purpose is investments of any kind. The life span of the company is indefinite. 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. Its main place of business is 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 perpetual.

ZONA FRANCA ARGOS S.A.S.

A company incorporated under the laws of Colombia on July 5, 2007; its main place of business is 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 a special permanent free trade zone.

NOTE 2 – BASIS FOR THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATION

Companies in Colombia are required to prepare general purpose individual financial statements which are submitted for the consideration of the General Meeting of Shareholders and are taken as the basis to declare dividends and make other appropriations. Additionally, the Code of Commerce requires 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 to declare dividends or to appropriate profits.

Based on the guidelines of the Financial Superintendence, consolidated financial statements include the accounts of companies that fulfill any of the following conditions:

- a) When more than 50% of the capital is owned by the parent company, either directly or through or with the help of its subsidiaries or the subsidiaries of the latter. To this effect, shares with preferred dividends or without voting rights are not computed.
- b) When the parent company and its subsidiaries hold, either jointly or severally, voting rights that represent the minimum deciding majority in the Board of Directors or in the General Assembly, or have the number of votes required to elect the majority of the members of the Board, if any.
- c) When the parent company, either directly or through or with the help of its subsidiaries, exerts dominant influence on the decisions of the company's management bodies by virtue of an act or negotiation with the controlled company or its partners.

The consolidated financial statements are prepared according to the generally accepted accounting principles of Colombia. Management is required to make estimations and assumptions that affected 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 time period. Actual results may differ from such estimations.

The consolidation method used for preparing the financial statements is that of global integration, whereby the parent or controlling company's financial statements include the total assets, liabilities, shareholders' equity and results of its subsidiaries, following the elimination in the parent company of its equity investments in the subsidiaries, as well as any existing reciprocal transactions and balances between the parent company and its subsidiaries as of the date of the consolidated financial statements.

The elimination of balances and transactions between the parent company and the subsidiaries, as well as among the latter, and the estimation of the minority interest, proportional equity value and amortization of any excess and/or shortage of the cost of the investment over book value, have been carried out pursuant to the guidelines of the Financial Superintendence contained in Instruction ("Circular") No. 002 of 1998, amended by Instruction No. 11 of 1998.

The financial information of the subsidiaries consolidated by Cementos Argos S.A. is prepared, inasmuch as possible, based on the same criteria and accounting methods; such information is taken at December 31st, which is the closing date set by the parent company to prepare its financial statements, as prescribed by its bylaws and as set forth in section 9 of Decree 2649 of 1993.

Taking into consideration that foreign subsidiaries prepare their financial statements according to International Financial Reporting Standards (IFRS) and generally accepted accounting principles of the United States of America, using a top-quality and consistent set of accounting standards, and given that such structure of principles is deemed an appropriate accounting technical reference in Colombia, such subsidiaries do not substantially adjust their financial statements, except for differences in application of the principle of substance above legal form.

The following is the list of assets, liabilities, shareholders' equity and period results for each of the companies included in the consolidation:

2012

Companies	Participation %	Assets	Liabilities	Shareholders equity	Period 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	98.63	1,291,159	173,422	1,117,737	(22,765)
Argos Ready Mix LLC	98.63	241,131	61,309	179,822	(16,641)
Argos USA Corp.	98.63	2,240,457	772,598	1,467,859	(151,492)
C.I. del Mar Caribe BVI Inc.	99.67	46,373	29,919	16,454	8,706
Canteras de Colombia S.A.S.	99.48	107,120	8,813	98,307	(325)
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)
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.		9,437,661	3,722,370	5,715,291	387,619
Cementos Colón, S.A.	79.18	57,676	11,755	45,921	12,963
Central Aggregates LLC	98.63	22,674	3,042	19,632	(57)
Cimenterie Nationale S.E.M.	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	-
Concretos Argos S.A.	99.44	657,165	299,946	357,219	22,750
Consort Livestock Inc.	98.63	-	-	-	-
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	98.63	-	-	-	-
Haiti Cement Holding S.A.	100.00	32,251	-	32,251	5,159
International Cement Company S.A.	100.00	18,961	-	18,961	(652)
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)
Piazza Acquisition Corp.	98.63	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.	98.63	94,449	-	94,449	(32,747)
Savannah Cement Company LLC	98.63	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.	98.63	68,967	22,401	46,566	2,559
Southern Equipment Company Inc.	98.63	631,550	537,101	94,449	(32,747)
Southern Star Concrete Inc	98.63	565,305	266,872	298,433	(33,847)
Southern Star Leasing, LLC	98.63	-	-	-	-
Surcol N.V.	50.00	15,713	2,793	12,920	997
Trans Atlantic 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)
Valle Cement Investments Ltd.	91.81	531,428	159,440	371,988	26,024
Venezuela Ports Company S.A.	100.00	3,118	8	3,110	1
Vensur N.V.	42.12	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	69,624	1,315,452	20,829
		19,900,600	6,599,008	12,301,512	

2011

Companies	Participation %	Assets	Liabilities	Shareholders equity	Period 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)
Carbones del Caribe S.A.S.	100.00	99,220	60,151	39,069	(44,013)
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
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.		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	-
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	-	-	-	-
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)
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.	80.85	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
		26,490,776	7,354,925	19,135,851	

The following changes were recorded regarding subsidiaries during 2012:

- The following were removed from consolidation as a result of the spin-off (absorbed by the parent company Grupo Argos SA): Carbones del Caribe SAS, Sociedad Portuaria de Cementeras Asociadas SA, Sociedad Portuaria Golfo de Morrosquillo SA, Sociedad Portuaria La Inmaculada SA, Sociedad Portuaria Las Flores SA and Urbanizadora Villa Santos SAS. Tubos Tocumen S.A. was also removed because it was sold to Cemento Panamá S.A.
- The following companies were capitalized as follows:

Argos USA Corp.	USD\$ 10,522,878
Transatlantic Cement Carriers INC	USD\$5,000,000
International Cement Company SA	USD\$7,500,000
Ganadería Río Grande SAS	COP\$3,500
- Concretos Argos SA was spun off to create the company Inversiones Fortcorp SAS. Initially the only shareholder of this company was Cementos Argos SA, and it was later absorbed by Grupo Argos SA.
- Corporaciones e Inversiones del Mar Caribe SA was spun off to create Inversiones Round Corp SAS, initially 100% owned by Cementos Argos SA, and later absorbed by Grupo Argos SA.
- Alianza Progenética SA and Concretos Argos Dominicana S.R.L. through Cementos Colón SA were new additions to the group.
- Point Corp. was merged with Valle Cement Investment Ltd. and Cementos Colón SA was merged with Compañía de Electricidad de Najayo SA.
- The shareholdings of Cementos Argos S.A. changed in:
 - Argos USA Corp., from 83.04% to 83.21%, due to capitalization.
 - Valle Cement Investment Ltd. decreased from 100% to 91.81%, and the difference went to Grupo Argos SA.
 - Concretos Argos SA decreased from 100% to 99.44%, and the difference went to Grupo Argos SA.
- The following are in liquidation proceedings: Profesionales a su Servicio Ltda. en Liquidación, Asesorías y Servicios Ltda. en Liquidación, Agente Marftimos del Caribe Ltda. en Liquidación, Carbones del Caribe Ltda. en Liquidación, Transportes Elman Ltda. en Liquidación and Distribuidora de Cementos Ltda. en Liquidación.

In both periods the following were excluded from consolidation because they are not controlled: Corporación de Cemento Andino C.A. and its affiliates Andino Trading Corporation, Comercializadora Dicemento C.A. and Depoan SA. Similarly, the companies Intership Agency Venezuela CA. and Surandina de Puertos CA.

The following is the effect of the consolidation of the financial statements of the Company and its subsidiaries:

	Balance before eliminations	Eliminations	Consolidated balance
Assets	18,900,600	(8,633,884)	10,266,716
Liabilities and minority interest	6,599,088	(2,045,857)	4,553,231
Shareholders' equity	12,301,512	(6,588,027)	5,713,485

There were no differences between the profits of Cementos Argos S.A. and consolidated profits for 2012 and 2011.

	2012	2011
Consolidated income	387,619	369,974

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

	2012	2011
Individual shareholders' equity	5,715,291	11,666,435
Unrealized gains from the sale of property, plant and equipment	(1,806)	(1,807)
Unrealized gains from the sale of investments	-	(15,147)
Unrealized gains from the sale of lands	-	(32,082)
Consolidated shareholders' equity	5,713,485	11,617,399

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

In preparing its consolidated financial statements, the parent company, by law, is required to use the Generally Accepted Accounting Principles of Colombia, as established by the Financial Superintendence and in other regulations. The main accounting policies and practices implemented by the Company in accordance with the above are described as follows:

SUBSTANCE ABOVE 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 in 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.
- Shareholders' equity accounts are translated at the exchange rates in effect on each of the dates on which the transactions occurred. For companies on which no historic information is available, shareholders' equity was translated at the closing exchange rate of December 2005.
- Income statement accounts are translated at the exchange rates in effect on the dates on which the transactions occurred; should this be impossible, the average exchange rate for each month is used.

- Differences in translation are posted to 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 general balance sheet items at year-end rates.

In turn, amounts denominated in dollars of the United States of America 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 to 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 liquidated or until the balance is capitalized. In the event it is capitalized, it can be used to offset losses if the company incurs in cause for dissolution; but under no circumstance 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.

Law 1111 of 2006 offered the option of offsetting the equity tax against this account, without affecting results. This option has been used by the companies of Cementos Argos S.A. with sufficient balance in this account.

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 EBITDA.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash on hand and in banks, savings deposits and all highly liquid investments.

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 closing 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. Exchange differences arising while assets are under construction or installation 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 rate differences of variable income investments in foreign subsidiaries are carried as a higher or lower value of equity in the equity surplus method.

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: a difference between the benefits expected from a strategy and the results obtained.

Liquidity risk: 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: losses arising from breach by the other party.

Operational risk: 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.

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

The following are the derivatives used by the company:

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 illiquidity, 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 recognized directly in the period results.

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 taken to the period's results.

FORWARD ARRANGEMENTS

They are used to cover the exchange rate risk in foreign currency debt and investment transactions, 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 posted against period results.

OPTION 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 range of market exchange rates and provide protection against extreme rate changes. They are valued by applying the Black-Scholes model.

NEGOTIABLE AND PERMANENT INVESTMENTS

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

- a) Investments that the Parent company or its subsidiaries have the serious intent of maintaining for their full term to redemption or maturity, and for a minimum time period of three years when the maturity date is greater or when they have no maturity date, are classified as permanent 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 tradability, as rated by the Financial Superintendence, 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 said Superintendence. The market price of securities of low or minimum tradability, or of non-listed shares, is established based on the latest financial statements published by the issuer of the security (intrinsic value).
- 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 Business 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.

PROVISION FOR THE PROTECTION OF DOUBTFUL ACCOUNTS

The provision for doubtful debts is reviewed and updated each year by management based on an analysis of the ages 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.

INVENTORIES

Inventories are recorded at cost and at the end of the period they are adjusted downward to fair market value, if fair market value is lower. 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 and until 2011, inventories included urban development works and land for development. All costs and taxes incurred in the preparation of lands for development were recorded as part of the cost up to the time when they were 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.

Sales and disposals of these assets are recorded at their respective net adjusted cost, and the difference between the sale price and the net adjusted cost is posted against results.

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; and between 6 and 8 years for ships.

At 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 results, whereas improvements and additions are added to the asset's cost.

In the Caribbean and the United States of America the Company performs assessments on income-generating assets whenever changes or circumstances indicate possible losses due to impairment, based on the future cash flows generated by the assets. These assessments are performed each year prior to the end of the accounting period.

Impairment is defined as a book value that is greater than the reasonable or recoverable value of assets treated as cash-generation units. Impairment losses are posted to results.

DEFERRED ASSETS

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 mainly include computer software, deferred income tax, organization and preoperational expenses, improvements to third party properties 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 the 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 over the entity 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 Colombian Finance Superintendence, 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 base for the preparation of extraordinary financial statements, the Parent Company in Colombia assesses the goodwill originated from each investment, in order to verify its adequacy for inclusion in 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 Colombian Financial Superintendence, 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. Impairment is defined as a book value that is greater than the reasonable or recoverable value of assets treated as a cash-generating unit. Losses due to impairment are posted against results and are not amortized.

ASSET REVALUATION

In Colombia this relates 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 company employees or by unrelated parties, based on their replacement and impairment values, in 2010, 2011 and 2012. These appraisals are updated every three years.

Valuations are recognized as a greater value of shareholders' equity.

LABOR LIABILITIES AND RETIREMENT PENSIONS

For consolidation purposes, the Company carries labor liabilities 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.

Labor liabilities 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 posted directly against the year's results.

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 according to the terms and conditions set forth in the above-mentioned law.

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 to 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 tax on equity 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.

TAX ON EQUITY

Pursuant to Decree 514 of 2010, Cementos Argos and its subsidiaries in Colombia adopted as accounting practice for the recognition of the tax on equity 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 is posted against results.

VALUE ADDED TAX (VAT)

Companies covered by the standard regime that sell taxable goods or services or receive tax-exempt income from exports are responsible for this tax.

In Colombia the standard rate is 16%, though there are different rates for certain products or services ranging from 1.6% to 10%, and for luxury products ranging from 20 to 35 percent.

In Colombia, in the case of sales of tax-exempt products or services, the VAT paid for purchases represents a greater cost. In the case of sales of taxable goods or services, the VAT paid in the purchase or acquisition of inputs for these products is deductible from the tax payable. When the company sells both taxable and non-taxable goods and services, it must calculate the proportion of taxable sales to establish the percentage to be deducted from VAT payments.

MEMORANDUM ACCOUNTS

In Colombia, 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; upon granting the public deed regarding land or development works. Rental income is recognized during the month it accrues and service income is recognized when the service is rendered. Revenues from dividends are recognized when the issuer declares such dividends.

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

OPERATING INCOME BEFORE IMPAIRMENT OF ASSETS

This account shows the operating income of consolidated companies, excluding extraordinary expenses, recorded for the operations of Argos USA Corp in the United States of America, prior to recording the assessment of long-term asset impairment, which is considered an unusual or non-recurring business event.

ASSET IMPAIRMENT

It relates to the expense arising from the assessment of the long-term asset impairment carried out by experts, recognized by the operation of Argos USA Corp. in accordance with generally accepted accounting principles of the United States of America (USGAAP). This expense arises from events not related to the Company's main business.

STATEMENTS OF CASH FLOWS

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

CONSOLIDATED NET EARNINGS PER SHARE

Consolidated net income per share is calculated based on the weighted annual average of subscribed and outstanding shares. Re-acquired own shares are excluded for the effects of this calculation.

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

According to what is set forth 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 of 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. According to these rules, the mandatory transition period begins on January 1, 2014, and the first comparative financial statements under IFRS are to be issued on December 31, 2015.

Cementos Argos S.A. is classified under Group 1 because it issues securities, and it is consequently required to submit an IFRS implementation plan to the Financial Superintendent by February 28, 2013. Since the Company has all the information and procedures in place to perform the IFRS conversion for itself and its subsidiaries at any time, an internal assessment is being performed regarding the most appropriate date to officially perform the opening balance, which is to be agreed on with the oversight and control bodies, and the subsequent process of making these statements available to the securities markets. However, for all effects, the timetable established by the National Government shall be maintained.

RECLASSIFICATION IN FINANCIAL STATEMENTS

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

NOTE 4 – TRANSACTIONS IN FOREIGN CURRENCY

Basic regulations in effect 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 in Colombian pesos was COP \$1,768.23 (2011 COP \$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 Colombian pesos	Dollars	Millions of Colombian pesos
Current assets	616,304,317	1,089,768	1,017,384,070	1,976,472
Non-current assets	2,078,441,255	3,675,162	1,075,792,825	2,089,943
	2,694,745,572	4,764,930	2,093,176,895	4,066,415
Current liabilities	(704,455,982)	(1,245,640)	(922,317,986)	(1,791,787)
Non-current liabilities	(814,254,897)	(1,439,790)	(835,376,734)	(1,622,886)
	(1,518,710,879)	(2,685,430)	(1,757,694,720)	(3,414,673)
Net asset position	1,176,034,693	2,079,500	335,482,175	651,742

In order to minimize the risk arising from transactions in foreign currency, Cementos Argos S.A. engages in the hedging operations explained in notes 6 and 13.

NOTE 5 – NEGOTIABLE INVESTMENTS

Negotiable investments as of December 31st were comprised of:

	Annual average Rate in 2012	2012	2011
Fixed-term certificates of deposit (1)	0.00003%	1,149	15,155
Savings deposits certificates		-	9,801
Trust fund units	4.24%	602	1,935
Titles and acceptances		-	1,083
Bonds and other		8	9
		1,759	27,983

(1) In 2012 it mainly related to overnight operations for US\$ 650,000. The reduction is primarily due to transfer of investments from short to long term and use of funds to pay down debt and for working capital.

No restriction has been imposed on these investments that would limit their availability for use.

NOTE 6 – ACCOUNTS RECEIVABLE

As of December 31st the receivables account was comprised of:

	2012	2011
National customers (1)	502,902	527,166
Foreign customers	13,023	9,627
Receivables from related parties (see note 27)	19,342	25,294
Advance payments to contractors and others (2)	25,964	31,165
Deposits	14,891	12,368
Promises to enter into purchase-sale agreements	2,716	1,679
Loans to third parties	765	675
Sundry debtors (3)	53,986	113,384
Accounts receivable from employees (4)	26,004	35,597
Non-invoiced revenues (5)	30,788	37,141
Tax advance payments (6)	178,437	121,687
Trade current accounts	496	229
Other	2,849	3,571
	872,163	919,583
Minus – Provision for doubtful receivables	(35,926)	(28,501)
Long-term portion	(39,718)	(53,815)
	796,519	837,267

- (1) The balance is mainly related to receivables arising from sales on credit to customers of Cementos Argos S.A. for \$262,049, Southern Start 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.
- (2) The reduction is mainly related to advance payments of Carbones del Caribe S.A.S., which totaled \$4,120 in 2011; in 2012 this company was spun off to Grupo Argos S.A.
- (3) Accounts receivable in transactions involving derivatives decreased due to unfavorable changes in the agreed exchange and interest rates compared to end-of-year rates.

The following were the transactions involving financial derivatives that produced a positive valuation in favor of the Company at 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	2017 Bonds	\$343,520	CPI + 3.1%	US\$190,000,000	Libor + 1.75%	Nov 23/17
Currency swap	2017 Bonds	\$89,800	CPI + 3.1%	US\$50,000,000	Libor + 1.92%	Nov 23/17

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

Forward and options arrangements are used to cover the risk of dollar exchange rate fluctuations on debts, temporary investments and export and import operations. The valuation of these instruments is performed at reasonable values, based on market curves in effect as of the date of the valuation (see the policy on derivative financial instruments).

- (4) The decrease relates mainly to the transfer of loans of employees who were transferred to Grupo Argos S.A. as a result of the spin-off and strengthening of the parent company.

(5) The decrease is mainly related to lower dividends receivable as a result of the spin-off, through which 100% of the investment Cementos Argos S.A. held in Nutresa, the 2% stake it held in Bancolombia S.A., and the 14.71% stake it held in Grupo de Inversiones Suramericana were transferred to Grupo Argos S.A.

(6) The balance includes:

Advance payments on income tax	29,145
Advance payments on industry and commerce tax	1,826
Income tax withholdings	3,628
Sales tax withholdings	28
Industry and commerce tax	9,705
Surplus in self-prepared return	125,338
Contributions	11
Deductible taxes	8,424
Other	322

The change is mainly due to an increase in the surplus in the self-prepared tax return of Cementos Argos S.A. for \$26,994, Concretos Argos S.A. for \$11,726, Zona Franca Argos S.A.S. for \$3,533; Cementos Panamá S.A. for \$27,564 on advance income tax payments. It is also related to reductions at Corporaciones e Inversiones del Mar Caribe S.A.S. for \$6,315 for advance payments on income tax withholdings, and the effect of the spin-off to Grupo Argos S.A. of Carbones del Caribe S.A.S.

The provision for doubtful receivables changed as follows:

	2012	2011
Opening balance	28,501	27,505
Provision for the year	8,497	5,243
Accounts written off	(1,072)	(4,247)
Closing balance	35,926	28,501

The following are the maturity dates of the long-term accounts receivable as of December of 2012:

	2012
2014	8,650
2015	5,735
2016	6,587
2017	4,027
2018 and subsequent years	14,719
	39,718

Interest rates applicable on long term accounts receivable are: for employee loans, between 0% and 14.41% E.A. and 4.98% E.A. for loans to related parties (2011 3.47% E.A.).

Overdue accounts receivable from customers at December 31, 2012 amount to \$60,115 (2011 \$169,090). Uncollectible accounts overdue more than one year amount to \$743 in 2012 and \$874 in 2011.

NOTE 7 – INVENTORIES - NET

Inventories at December 31st were comprised of:

	2012	2011
Finished products	76,709	61,705
Production in progress (1)	64,397	33,405
Raw materials and direct materials (2)	83,931	143,617
Materials, spare parts and accessories	101,754	94,552
Inventories in transit	11,842	11,596
Assets for sale	-	11,042
Lands	-	9,681
Goods not manufactured by the Company	11,399	10,924
Urban development works (3)	-	30,472
Other	18,719	14,893
	368,751	421,887
Minus– provision for the protection of inventories	(13,372)	(7,024)
Long-term portion	-	(38,237)
	355,379	376,626

- (1) The balance mainly relates to Cementos Argos S.A. for \$13,098 (2011 \$13,897), Cementos Panamá S.A. for \$20,985 (2011 \$17,860), and Argos Cement LLC for \$28,114.
- (2) The changes are due to the valuation of assets acquired from Lafarge.
- (3) The change relates to the spin-off of the inventories of urban development works, real estate assets for sale and developable properties, which were absorbed by Grupo Argos S.A.

The following was the change in the provision for the protection of inventories:

	2012	2011
Opening balance	7,024	5,574
Provision for the year	1,768	7,798
Input of balance	8,369	-
Inventories written off	(3,789)	(1,967)
Closing balance	13,372	7,024

NOTE 8 – PERMANENT INVESTMENTS - NET

Permanent investments as of December 31st included:

2012

Company	Domicile	Business	Valuation	Shares Outstanding	No. of shares	Percentage held	Class of share	Adjusted book value	Market value	Provision	Revaluation (devaluation)
A. STOCKS											
Bancolombia S.A.	Medellín	Financial intermediary	B	509,704,584	20,437,148	4.01%	O	61,414	613,115	-	551,701
Cartón de Colombia S.A.	Cali	Cardboard producer	B	107,716,050	2,308,930	2.14%	O	5,089	13,617	-	8,528
Carvajal Pulpa y Papel S.A.	Cali	Paper producer	I	596,630,268	116,767	0.02%	O	3	584	-	581
Cementos de Caldas S.A.	Manizales	Cement producer	I	50,666,501	20,179,195	39.83%	O	3,027	3,158	-	131
Cera Tech Inc	USA	Ecological cement producer	I	1,069,519	100,000	9.35%	O	272	242	30	-
Cera Tech USA	USA	Ecological cement producer	I	27,500,000	7,500,000	27.27%	O	40	568	-	528
Compañía Colombiana de Empaques Bates S.A.	Palmira	Packaging producer	I	54,607	3,503	6.41%	O	49	7,890	-	7,341
Concesiones Urbanas S.A.	Bogotá	Civil construction	I	24,554,726	8,186,537	33.34%	O	6,362	9,636	-	3,274
Corporación de Cemento Andino C.A.	Venezuela	Cement producer	I	37,697,288	37,580,426	99.69%	O	38,687	-	38,687	-
Fundiciones Colombia S.A.	Medellín	Foundry parts producer	I	2,496,845	12,838,543,456	1.54%	O	278	11	267	-
Grupo de Inversiones Suramericana S.A.	Medellín	Investments	B	469,037,260	28,183,262	6.01%	O	39,384	1,070,964	-	1,031,580
Hipódromo Los Comuneros S.A.	Guarne	Horse racing	I	3,199,388	16,870	0.53%	O	12	-	12	-
Industrial Hullera S.A. en Liquidación	Medellín	Coal mining	I	6,474,711	2,426,054	37.47%	O	154	(1)	155	-
Intership Agency Venezuela	Venezuela	Sea freight representative	I	-	-	100.00%	O	18	-	18	-
Occidental de Empaques S.A.	Medellín	Packaging	I	2,160,000	4,500	0.21%	O	10	91	-	81
Omya Andina S.A.	Guarne	Non-metallic minerals producer	I	12,690,910	6,345,455	50.00%	O	11,554	39,438	-	27,884
Papeles y Cartones S.A.	Barbosa	Paper producer	I	11,424,044,960	1,112,158	0.01%	O	1	15	-	14
Sociedad de Transporte Férreo del Occidente S.A.	Cali	Railroad services	I	2,450,625	72,294	2.95%	O	331	-	331	-
Surandina de Puertos C.A.	Venezuela	Port services	I	515	500	97.09%	O	4,494	3,253	1,241	-
Triple A S.A. E.S.P.	Barranquilla	Public utility	I	73,485,384	13,700	0.02%	O	62	30	-	(32)
Other								4,422	(943)	5,753	388
B. SHARES OR PARTS OF INTEREST											
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	-	-	0.00%	O	37	-	37	-
Transmarítima del Caribe Ltda. (1)	Barranquilla	Sea freight	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								34	4	30	-
TOTAL SHARES AND PARTS OF INTEREST								181,056	1,769,449	46,634	1,635,027
C. BONDS AND DEBT SECURITIES											
								587	587		
D. OTHER INVESTMENTS											
								10,103	10,426	17	340
Minus - Provision for protection								(46,651)			
								145,095	1,780,462	46,651	1,635,367

2011

Company	Domicile	Business	Valuation	Shares Outstanding	No. of shares	Percentage held	Class of share	Adjusted book value	Market value	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
Bancolombia S.A.	Medellín	Financial intermediary	B	509,704,584	39,916,932	7.83%	O	119,950	1,136,834	-	1,016,884
Cartón de Colombia S.A.	Cal	Cardboard producer	B	107,716,050	2,308,930	2.14%	O	5,088	28,960	-	23,872
Cementos de Caldas S.A.	Manizales	Cement producer	I	50,666,501	20,179,195	39.83%	O	3,027	3,180	-	153
Cera Tech Inc	USA	Ecological cement producer	I	1,069,519	100,000	9.35%	O	299	-	299	-
Compañía Colombiana de Empaques Bates S.A.	Palmira	Packaging producer	I	54,607	3,503	6.41%	O	49	7,203	-	7,154
Concesiones Urbanas S.A.	Bogotá	Civil construction	I	1,554,726	518,346	33.34%	O	6,362	9,516	-	3,154
Corporación de Cemento Andino C.A.	Venezuela	Cement producer	I	37,697,288	37,580,426	99.69%	O	39,191	-	39,191	-
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 parts producer	I	2,496,845,128	38,543,456	1.54%	O	278	11	267	-
Grupo de Inversiones Suramericana S.A.	Medellín	Investments	B	469,037,260	97,183,662	20.72%	O	120,659	3,007,265	-	2,886,606
Grupo Nutresa S.A.	Medellín	Confectionery producer	B	460,123,458	24,940,650	5.42%	O	15,444	543,706	-	528,262
Hípódromo Los Comuneros S.A.	Guarne	Horse racing	I	3,199,388	16,870	0.53%	O	12	-	12	-
Industrial Hullera S.A. en Liquidación	Medellín	Coal mining	I	6,474,711	2,426,054	37.47%	O	155	-	155	-
Inmobiliaria Incem	Panama	Real estate	I	2,195,056	281,143	12.81%	O	194	194	-	-
Intership Agency Venezuela	Venezuela	Sea freight representative	I	-	-	100.00%	O	19	-	19	-
Occidental de Empaques S.A.	Medellín	Packaging	I	2,160,000	4,500	0.21%	O	10	85	-	75
Ormya Andina S.A.	Guarne	Non-metallic minerals producer	I	12,690,910	6,345,455	50.00%	O	11,554	32,391	-	20,837
Papeles y Cartones S.A.	Barbosa	Paper producer	I	11,426,975,914	1,112,158	0.01%	O	1	13	-	12
Propal S.A.	Cali	Paper producer	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
Sociedad Administradora Portuaria Puerto Berrio S.A.	Barranquilla	Port services	I	16,760	2,625	15.66%	O	70	-	70	-
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	-
Triple A S.A. E.S.P.	Barranquilla	Public utility	I	73,445,177	82,214	0.11%	O	350	221	129	-
B. SHARES OR PARTS OF INTEREST											
Distribuidora Colombiana de Cementos Ltda. (1)	Barranquilla	Trading	I	200,000	200,000	100.00%	O	3,674	4,249	-	575
Servigranel	Barranquilla	Trading	I	-	-	-	O	37	-	37	-
Transmarítima del Caribe Ltda. (1)	Barranquilla	Sea freight	I	50	34	68.00%	O	53	-	53	-
Transportes Eiman Ltda. (1)	Barranquilla	Land, river and sea transport	I	800,000	389,437	48.68%	O	1,594	3,472	-	1,878
Otras								35	35	-	
TOTAL SHARES AND PARTS OF INTEREST								339,532	4,780,994	49,051	4,490,513
C. BONDS AND DEBT SECURITIES								667	667		
D. OTHER INVESTMENTS								8,372	8,595	63	286
Minus - Provision for protection								(46,651)			
								299,457	4,790,256	49,114	4,490,799

Market values are as of December of 2012 and 2011

Valuations:

I: Intrinsic value B: Stock market price

Type of Share:

O: Ordinary P: Preferred

The following investments are pledged as collateral for credit lines with Bancolombia:

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

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

The balance of property, plant and equipment as of December 31st includes:

2012	Adjusted cost	Accumulated depreciation	Net cost	Appraisal	Revaluation	Revaluation method
Land	371,223	-	371,223	1,051,318	680,095	Comparative
Constructions in progress	111,326	-	111,326	111,326	-	Cost
Constructions and buildings	771,842	264,837	507,005	676,626	169,621	Comparative/cost
Production machinery and equipment	3,647,643	1,785,417	1,862,226	2,722,567	860,341	Revenue capitalization
Office furniture, computers and communications equipment	72,848	47,829	25,019	32,515	7,496	Cost
Mines, quarries and mineral deposits	517,873	103,817	414,056	606,235	192,179	Rental
Ground transportation equipment	463,331	279,720	183,611	207,177	23,566	Revenue capitalization
Inland water fleet	73,620	33,068	40,552	41,388	836	Revenue capitalization
Lines of communication	177,490	16,568	160,922	163,635	2,713	Comparative/cost
Farming operations	12,890	1,564	11,326	12,183	857	
Machinery and equipment being assembled	97,880	-	97,880	97,880	-	Revenue capitalization
Property plant and equipment in transit	3,232	-	3,232	3,232	-	Cost
Other assets	11,106	2,584	8,522	9,436	914	Cost
Subtotal	6,332,304	2,535,404	3,796,900	5,735,518	1,938,618	
Minus provision for impairment	-	-	(17,581)	-	-	
TOTAL	6,332,304	2,535,404	3,779,319	5,735,518	1,938,618	

2011	Adjusted cost	Accumulated depreciation	Net cost	Appraisal	Revaluation	Revaluation method
Land	906,183	-	906,183	4,265,633	3,359,450	Comparative
Constructions in progress	108,717	-	108,717	108,717	-	Cost
Constructions and buildings	766,518	240,598	525,920	701,390	175,470	Comparative/cost
Machinery and production equipment	3,858,139	1,651,574	2,206,565	3,082,376	875,811	Revenue capitalization
Office furniture, computers and communications equipment	57,294	42,399	14,895	22,872	7,977	Cost
Mines, quarries and mineral deposits	122,026	101,081	20,945	263,617	242,672	Rental
Ground transportation equipment	417,729	245,341	172,388	197,194	24,806	Revenue capitalization
Inland water fleet I	81,324	29,830	51,494	52,576	1,082	Revenue capitalization
Lines of communication	155,201	14,545	140,656	143,894	3,238	Comparative/cost
Farming operations	10,394	1,516	8,878	9,735	857	
Machinery and equipment being assembled	34,589	-	34,589	34,589	-	Revenue capitalization
Property plant and equipment in transit	5,529	-	5,529	5,529	-	Cost
Other assets	6,202	1,123	5,079	7,659	2,580	Cost
Subtotal	6,529,845	2,328,007	4,201,838	8,895,781	4,693,943	
Minus provision for impairment	-	-	(24,701)	-	-	
TOTAL	6,529,845	2,328,007	4,177,137	8,895,781	4,693,943	

The reduction in property, plant and equipment in 2012 mainly relates to:

- The assets spun off by Cementos Argos S.A. for \$40,006; land spun off by Concretos Argos S.A. for \$4,241 and from Corporaciones e Inversiones del Mar Caribe S.A.S. for \$3,639, which resulted in the creation of the companies Inversiones Fortcorp S.A.S. and Inversiones Roundcorp S.A.S., respectively. These assets were absorbed by Grupo Argos S.A.
- Disposal of assets of the companies Carbones del Caribe S.A.S., Urbanizadora Villa Santos S.A.S., Sociedad Portuaria Golfo de Morrosquillo S.A. and Sociedad Portuaria Cementeras Asociadas S.A., as a result of the spin-off, in the amount of \$47,222.

- The end of the purchase price allocation to acquire the assets from Lafarge in September of 2012

The Company carried out technical appraisals of property, plant and equipment in 2011. The appraisal methods applied are explained in note 19.

Depreciation taken to results in 2012 amounted to \$312,404 (2011 \$269,813).

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 back in full.

NOTE 10 – DEFERRED CHARGES AND INTANGIBLE ASSETS

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

	2012	2011
Goodwill (1)	896,547	948,021
Trademarks (2)	139,866	166,038
Rights (3)	171,383	134,297
Franchising and licensing (4)	279,849	288,263
Deferred assets, net (5)	154,397	170,999
Provisions	(2,107)	(2,107)
Accumulated amortization	(264,446)	(239,124)
	1,375,489	1,466,387

- (1) It 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. Acquired goodwill corresponding to the difference between the value paid and the fair value of the acquired American companies 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.

The goodwill also relates to the higher amounts paid over the book value of the shares of:

- Cemento Panamá S.A. in the amount of \$22,688; the intrinsic value in pesos was \$218,190 per share to be amortized over 5 years using the straight line method.
- Alexios N.V. in the amount of \$1,802; the intrinsic value in pesos was \$88,198,366 per share at the time of acquisition. It is amortized over 4 years using the straight line method. The investment was acquired on February 16, 2010.
- In 2011 the goodwill arising from the acquisitions of 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) It relates to the valuation of acquired trademarks. The methodology applied for the valuation was based on the Discounted Cash Flow analysis: the Company 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 returns to the trademark owner in connection with said flows (contribution of the trademark to the business, both current and 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 in connection with this brand.
 - In 2012 the reduction is the result of valuations performed on the assets acquired from Lafarge.
- (3) It includes the contributions made by the Company to Real Estate Trust Agreement 732-1359 managed by Fiduciaria Fiducorp S.A. for the forest reestablishment project in Carmen de Bolívar, for \$29,699 (2011 \$26,130). During 2011, contributions were made for \$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), regarding purchases of a minimum of 150,000 tons per year of slag during 15 years, extendable for an equal time period; the net balance is \$28,627 (2011 \$31,282); Mercantile Management Trust at Fiduciaria Corficolombiana S.A. for \$42,761.

It also includes the following assets acquired through financial leasing agreements under a monthly payment model:

Agreement number	Original amount	Balance as of Dec-11	Termination	Term (months)	Outstanding 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 it 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 Grupo Argos S.A.). It also includes mining concessions, including the titles acquired from Villasanta S.A. for \$1,500.

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

Contract number	Type of title	Main mineral	Municipality	Department	Value	Status	Start date	Term (years)
2952	Mining Concession Decree-Law 1275	Limestone and sand	Barranquilla and Puerto Colombia	Atlántico	Indefinite	Extension request	07/03/1980	30
3632	Mining concession Law 2655	Limestone and sand	Tolúviejo	Sucre	Indefinite	Exploitation	06/10/1992	30
9334	Mining concession Law 2655	Calcareous	Barranquilla and Puerto Colombia	Atlántico	Indefinite	Exploitation	04/02/1993	30
18610	Mining concession Law 2655	Limestone	Turbaco	Bolívar	Indefinite	Exploitation	04/02/1997	30
7609	Mining concession Law 2655	Limestone	Curití	Santander	Indefinite	Exploitation	23/08/2004	30
FD2 154	Mining concession Law 685	Construction materials	Saldaña	Tolima	5,356	Exploitation	02/12/2004	28
IKS-11581	Mining concession Law 685	Construction materials	Saldaña	Tolima	10,000	Exploitation	30/12/2009	29
14672	Mining license 2655	Limestone	San Luis	Antioquia	Indefinite	Exploitation and Extension	24/07/2007	10
441xRío Claro	Mining concession decree 1275	Limestone	Sonsón	Antioquia	Indefinite	Conversion	22/11/1983	30
8648 Cairo	Mining concession Law 685	Limestone	Abejorral	Antioquia	Indefinite	Exploitation	25/04/1990	30
911-15 Monjas	Contribution contract decree 2655	Limestone	Firavitoba	Boyacá	Indefinite	Exploitation	16/11/1994	20
GSA-EXTR 95-105 Concesión Minera "Najayo"	Contract 112 December 11, 1996	Stone quarrying	Panama Province	Panama District	Indefinite	Exploitation	24/12/2006	10
	Contract 241 July 9, 1996	Clay/sand and volcanic rocks	Panama Province	Panama District	Indefinite	Exploitation	09/07/1996	75

- (5) Deferred charges at December 31st were mainly comprised of:

	2012	2011
Technology projects & others (a)	93,518	67,922
Debit deferred income tax (b)	35,313	87,325
Software	18,514	9,681
Improvements to third party properties	6,347	3,864
Research surveys	610	236
Organization and pre-operating expenses	-	1,867
Licenses	17	26

- a) It primarily includes costs related to placement of bonds for \$11,616, ongoing technology projects 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 primarily related to costs incurred in the Synergy project for \$47,670 (2011 \$18,716) and the Tulane project for \$170 (2011 \$556).
- b) It 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, Cementos Colón S.A. for \$1,844 and Port Royal Cement Company LLC, for \$1,625. 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 establish 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.

Amortization of intangible and deferred assets posted to results in 2012 totaled \$60,546 (2011 \$136,528).

NOTE 11 – FINANCIAL LIABILITIES

Financial liabilities as of December 31st were comprised of:

	2012	2011
Overdrafts	2,341	3,078
Loans from domestic banks (1)	659,876	1,122,833
Loans from foreign banks (2)	298,118	807,620
Loans from financial corporations	5,636	7,091
Letters of credit and loans from trade financing companies (3)	24,269	125
Other loans from third parties (4)	14,158	23,204
Other liabilities	18,627	25,189
	1,023,025	1,989,140
Minus: non-current portion	(369,717)	(719,717)
	653,308	1,269,423

(1) The reduction is primarily because Cementos Argos S.A. paid down debt, which was partly replaced by bond issues.

The following are the main financial liabilities from domestic banks:

Institution	Description	2012	2011	Original currency	Maturity
a) Long term loans					
Bancolombia	Long-term loan	500	500	Peso	19-Feb-13
Banco AV Villas	Long-term loan	25,000	25,000	Peso	10-Oct-13
Banco de Bogotá	Long-term loan	35,365	-	Dollar	31-Jan-13
Bancolombia	Long-term loan	50,000	50,000	Peso	27-Dec-20
Banco Popular	Long-term loan	60,000	60,000	Peso	14-May-13
Bancolombia	Long-term loan	100,000	300,000	Peso	16-Sep-20
Davivienda	Long-term loan	-	7,000	Peso	18-Dec-12
b) Working capital loans					
Davivienda	Working capital loan	4,421	-	Dollar	04-Jan-13
Bancolombia	Working capital loan	9,725	-	Dollar	02-Aug-13
Bancolombia	Working capital loan	19,451	-	Dollar	03-May-13
BBVA	Working capital loan	26,523	-	Dollar	29-Apr-13
Bancolombia	Working capital loan	28,292	-	Dollar	30-Apr-13
Bancolombia	Working capital loan	31,828	-	Dollar	25-Apr-13
Davivienda	Working capital loan	44,206	-	Dollar	26-Jun-13
Bancolombia	Working capital loan	54,815	-	Dollar	26-Apr-13
BBVA	Working capital loan	61,888	-	Dollar	29-Apr-13
Banco de Bogotá	Working capital loan	107,862	-	Dollar	30-Jan-13
Bancolombia	Working capital loan	-	135,989	Dollar	19-Apr-12
BBVA	Working capital loan	-	91,307	Dollar	08-Jun-12
Davivienda	Working capital loan	-	77,708	Dollar	27-Apr-12
Davivienda	Working capital loan	-	48,568	Dollar	08-Mar-12
Bancolombia	Working capital loan	-	48,568	Dollar	13-Jul-12
Banco de Bogotá	Working capital loan	-	48,568	Dollar	28-Jun-12
Banco de Bogotá	Working capital loan	-	38,854	Dollar	08-Mar-12
Davivienda	Working capital loan	-	38,853	Dollar	21-Mar-12
Banco de Bogotá	Working capital loan	-	33,026	Dollar	27-Mar-12
BBVA	Working capital loan	-	31,083	Dollar	13-Mar-12
Bancolombia	Working capital loan	-	25,255	Dollar	25-Mar-12
Banco de Bogotá	Working capital loan	-	19,427	Dollar	03-Feb-12
Banco de Bogotá	Working capital loan	-	19,427	Dollar	03-Feb-12
Davivienda	Working capital loan	-	9,519	Dollar	22-Feb-12
BBVA	Working capital loan	-	7,382	Dollar	13-Feb-12
Bancolombia	Working capital loan	-	6,799	Dollar	10-Aug-12
		659,876	1,122,833		

(2) Financial obligations with foreign banks:

Institution	Description	2012	2011	Original currency	Maturity
a) Long term loans					
UBS	Long-term loan	7,946	8,730	Dollar	05-Mar-13
Various	Syndicated loan	44,206	67,995	Dollar	18-May-15
Citibank PLC London	ECA Loan	183,017	232,010	Dollar	18-May-15
b) Working capital loans					
Mercantil Commercebank	Working capital loan	1,768	-	Dollar	08-May-13
Mercantil Commercebank	Working capital loan	3,360	-	Dollar	05-Jun-13
Mercantil Commercebank	Working capital loan	3,536	-	Dollar	05-Mar-13
BCI Miami Branch	Working capital loan	4,774	-	Dollar	15-Apr-13
BCI Miami Branch	Working capital loan	5,305	-	Dollar	24-Feb-13
Mercantil Commercebank	Working capital loan	5,305	-	Dollar	02-Apr-13
BCI Miami Branch	Working capital loan	6,012	-	Dollar	29-Jan-13
Mercantil Commercebank	Working capital loan	8,841	-	Dollar	21-Jan-13
BCI Miami Branch	Working capital loan	24,048	-	Dollar	05-Mar-13
Helm Bank Panamá	Working capital loan	-	7,771	Dollar	27-Feb-12
Citibank NA	Working capital loan	-	25,255	Dollar	06-Nov-12
Citibank NA	Working capital loan	-	7,771	Dollar	24-Apr-12
Citibank NA	Working capital loan	-	7,382	Dollar	11-Jan-12
Citibank NA	Working capital loan	-	19,427	Dollar	11-Jan-12
Citibank NA	Working capital loan	-	40,797	Dollar	19-Jul-12
HSBC USA NA	Working capital loan	-	361,342	Dollar	30-Jul-12
Banco General	Working capital loan	-	29,140	Dollar	19-Apr-12
Total		298,118	807,620		

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 SA 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%. The final due date of this loan is May of 2015.
- (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, 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.

At the closing of 2012, forward currency buying transactions were in place to synthetically convert loans in dollars into pesos, as explained in note 13.

Interests were accrued in the amount of \$208,340 in 2012 (2011 \$184,914) on financial liabilities, bonds, commercial paper and accounts payable.

In 2012 the credit line extended by Bancolombia S.A. is guaranteed with permanent investments for \$197,600 (2011 \$914,268), as explained in note 8.

Long term financial liabilities outstanding at December 31, 2011 mature as follows:

YEAR	Amount at maturity
2014	67,190
2015	41,024
2016	32,181
2017	32,109
2018 and following	197,213
TOTAL	369,717

NOTE 12 - BONDS OUTSTANDING AND COMMERCIAL PAPER

Bonds outstanding issued on November 23, 2005 were comprised of the following as of December 31, 2012:

Term	Amounts issued	Effective int. rate	Interest payment terms
10 years	80,000	CPI+2.88%	Semester in arrears
12 years	290,000	CPI+3.17%	Semester in arrears
12 years	150,000	CPI+5.25%	Semester in arrears
	\$520,000		

Bonds outstanding issued on April 28, 2009, were comprised of the following as of December 31, 2012:

Term	Amounts issued	Effective int. rate	Interest payment terms
5 years	81,175	9.70% E.A.	Annually in arrears
7 years	114,943	CPI + 6.00%	Quarterly in arrears
10 years	70,350	CPI + 6.30%	Quarterly in arrears
15 years	229,530	CPI + 7.19%	Quarterly in arrears
	\$495,998		

Bonds outstanding issued on April 11, 2012 were comprised of the following as of December 31, 2012:

Term	Amounts issued	Effective int. rate	Interest payment terms
1.5 years	77,200	IBR+1.45%	Monthly in arrears
2 years	111,400	DTF+1.347%	Quarterly in arrears
2 years	111,400	DTF+1.45%	Quarterly in arrears
	\$300,000		

Bonds outstanding issued on May 16, 2012 were comprised of the following as of December 31, 2012:

Term	Amounts issued	Effective int. rate	Interest payment terms
6 years	97,022	CPI+3.80%	Quarterly in arrears
10 years	299,895	CPI+4.24%	Quarterly in arrears
15 years	303,082	CPI+4.50%	Quarterly in arrears
	\$700,000		

All issues are rated AA+ by Fitch Ratings Colombia S.A. The bonds are payable-to-order securities tradable in the secondary market.

Of the issue maturing in 2017, 12-year Argos 2005 bonds for \$440,000, a total of \$433,320 were converted to US dollars (equivalent to US\$240,000,000) through a currency swap at an average rate of Libor + 1.78% semester in arrears. See note 6 of this report.

The February 23, 2007 bond issue for \$132,211 gave rise to a placement discount of \$17,788, which is amortized over 12 years using the straight line method. The following are the balances as of December 31:

	2012	2011
Total bonds outstanding	2,015,998	1,240,000
Minus discount to be amortized	(8,210)	(9,852)
Balance to be amortized	(9,852)	(11,494)
	2,007,788	1,230,148
Short term	77,200	224,002
Long term	1,930,588	1,006,146

At the end of 2012 there were no outstanding issues of commercial paper (2011 \$199,030)

In 2012, interests accrued in the amount of \$141,213 (2011 \$105,005) on ordinary bonds and commercial paper that matured during the year.

The following was the overall cost of the financial liabilities, including Argos bonds, commercial paper, financial derivatives and loans during 2012:

- Average cost of financial liabilities in Colombian pesos: 7.74% E.A. (2011 6.68% E.A.)
- Average cost of financial liabilities in US dollars: 2.28% E.A. (2011 1.99% E.A.)

NOTE 13–SUPPLIERS AND ACCOUNTS PAYABLE

Suppliers and accounts payable at December 31 were comprised of:

	2012	2011
Costs and expenses payable	169,781	167,443
Domestic suppliers	136,815	172,731
Foreign suppliers	15,444	18,963
Dividends payable	49,317	46,321
Trade current accounts (See note 27)	16,602	14,877
Accounts payable to contractors	5,542	5,136
Sundry creditors (1)	194,175	247,098
Tax withholdings payable	30,146	25,520
Installments payable	1,215	1,370
Other accounts payable (2)	17,599	30,010
	636,636	729,469
Minus - Long-term sundry creditors	(75,857)	(111,122)
	560,779	618,347

- 1) It mainly reflects the valuation of derivative transactions for \$20,277 (2011 \$33,902) and the balance payable for \$101,143 arising from the acquisition of Cementos La Unión S.A. and Cementos Apolo S.A. under the following conditions:

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

Maturity: August 2016

Interest rate: 5% E.A. payable quarterly in arrears

Amortization: 10 annual installments

In 2012, interests accrued for US\$3,169,477 (2011 US\$3,932,917). In 2012 payments against principal were made for US\$14,300,000. A currency swap was arranged on this account payable.

At the end of 2012, forward arrangements had been made to synthetically convert loans in dollars into pesos.

The following are the financial derivative transactions that created a positive value in favor of the counterparty (Bank) at the end of 2012:

Swap arrangements

Type	Underlying	Underlying amount (\$COP or US\$)	Underlying rate	Swap amount \$ COP or USD\$	Swap rate	Maturity
Currency swap	Account payable	USD\$ 57,200,000	4.90% PA	\$109,246	CPI + 5.35%	08-Aug-16

a) Financial liabilities - principal and interest

Forward arrangements

Type	Underlying	Underlying amount	Forward amount	Rate	Maturity
Put fwd	Financial liability - principal and interest	USD\$20,164,501	USD\$20,164,501	\$ 1,832.79	30-Jan-13
Put fwd	Financial liability - principal and interest	USD\$20,096,950	USD\$20,096,950	\$ 1,835.66	29-Jan-13
Put fwd	Financial liability - principal and interest	USD\$20,000,000	USD\$20,000,000	\$ 1,834.03	29-Jan-13
Put fwd	Financial liability - principal and interest	USD\$21,000,000	USD\$21,000,000	\$ 1,837.50	29-Jan-13
Put fwd	Financial liability - principal and interest	USD\$18,008,574	USD\$18,008,574	\$ 1,850.71	24-Apr-13
Put fwd	Financial liability - principal and interest	USD\$31,054,764	USD\$31,054,764	\$ 1,849.49	24-Apr-13
Put fwd	Financial liability - principal and interest	USD\$16,030,196	USD\$16,030,196	\$ 1,854.17	26-Apr-13
Put fwd	Financial liability - principal and interest	USD\$35,221,021	USD\$35,221,021	\$ 1,851.24	26-Apr-13
Put fwd	Financial liability - principal and interest	USD\$2,510,956	USD\$2,510,956	\$ 1,830.75	03-Jan-13
Put fwd	Financial liability - principal and interest	USD\$25,147,537	USD\$25,147,537	\$ 1,880.47	25-Jun-13
Put fwd	Financial liability - principal and interest	USD\$5,500,000	USD\$5,500,000	\$ 1,865.20	01-Aug-13
Put fwd	Financial liability - principal and interest	USD\$11,012,779	USD\$11,012,779	\$ 1,847.81	02-May-13

b) Financial liabilities - interest

Forward arrangements

Tipo	Subyacente	Valor	Monto Forward	Tasa	Vencimiento
Put fwd	Financial liability - interest	USD\$22,149	USD\$22,149	\$ 1,831.83	11-Jan-13
Put fwd	Financial liability - interest	USD\$22,149	USD\$22,149	\$ 1,838.50	12-Feb-13
Put fwd	Financial liability - interest	USD\$20,006	USD\$20,006	\$ 1,844.57	12-Mar-13
Put fwd	Financial liability - interest	USD\$22,149	USD\$22,149	\$ 1,850.82	12-Apr-13
Put fwd	Financial liability - interest	USD\$77,688	USD\$77,688	\$ 1,830.17	10-Jan-13
Put fwd	Financial liability - interest	USD\$75,141	USD\$75,141	\$ 1,841.96	12-Mar-13
Put fwd	Financial liability - interest	USD\$40,043	USD\$40,043	\$ 1,833.57	11-Jan-13
Put fwd	Financial liability - interest	USD\$38,730	USD\$38,730	\$ 1,846.26	13-Mar-13
Put fwd	Financial liability - interest	USD\$147,537	USD\$147,537	\$ 1,873.91	27-Mar-13
Put fwd	Financial liability - interest	USD\$12,028	USD\$12,028	\$ 1,833.85	09-Jan-13
Put fwd	Financial liability - interest	USD\$12,028	USD\$12,028	\$ 1,840.05	08-Feb-13
Put fwd	Financial liability - interest	USD\$10,864	USD\$10,864	\$ 1,846.04	08-Mar-13
Put fwd	Financial liability - interest	USD\$12,028	USD\$12,028	\$ 1,853.25	09-Apr-13
Put fwd	Financial liability - interest	USD\$11,640	USD\$11,640	\$ 1,858.35	09-May-13
Put fwd	Financial liability - interest	USD\$12,028	USD\$12,028	\$ 1,864.11	07-Jun-13
Put fwd	Financial liability - interest	USD\$11,640	USD\$11,640	\$ 1,870.31	09-Jul-13
Put fwd	Financial liability - interest	USD\$8,924	USD\$8,924	\$ 1,866.24	01-Aug-13
Put fwd	Financial liability - interest	USD\$14,199	USD\$14,199	\$ 1,828.76	04-Jan-13
Put fwd	Financial liability - interest	USD\$14,199	USD\$14,199	\$ 1,836.16	04-Feb-13
Put fwd	Financial liability - interest	USD\$14,199	USD\$14,199	\$ 1,839.27	06-Mar-13
Put fwd	Financial liability - interest	USD\$14,199	USD\$14,199	\$ 1,845.44	05-Apr-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).

- 2) The reduction mainly reflects the payment of the annual installment for \$2,529 of the port concession of Zona Franca S.A., as well as the spin-off to Grupo Argos S.A. of the companies: Sociedad Portuaria Golfo de Morrosquillo S.A., Sociedad Portuaria Cementeras Asociadas S.A. holders of liabilities for port concessions No. 040 for \$5,592 and 024 for \$1,741, respectively.

NOTE 14 – TAXES, CONTRIBUTIONS AND LEVIES

The balance of taxes, contributions and levies as of December 31st was comprised of:

	2012	2011
Income tax	34,120	43,771
Sales tax	43,015	42,029
Industry and commerce tax	14,900	2,700
Other (tax on equity)	63,030	96,480
	155,065	184,980
Minus – Long term portion (1)	(30,745)	(63,481)
	124,320	121,499

- 1) It relates to tax on equity installments due in 2014.

Tax provisions applicable to the Company state 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 (presumptive tax).
- 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.

Tax losses incurred after 2007 can be offset against ordinary taxable income without limitations in terms of time or percentage, without prejudice for the year's presumptive tax. Tax losses were adjusted for inflation up to 2006; starting in 2007 they are adjusted according to tax rules.

As of December 31, 2012, Cementos Argos S.A. and its subsidiaries had tax losses for \$246,271 (2011 \$397,127).

- 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.

In all cases, excesses in presumptive taxable income above ordinary taxable income were adjusted for inflation. Starting in 2007 excess presumptive taxable income above ordinary taxable income is readjusted according to tax rules.

As of December 31, 2012 Cementos Argos S.A. and its subsidiaries had \$44,047 (2011 \$152,667) in excess presumptive taxable income originating in the tax years 2006, 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 is the breakdown of the estimation of the income tax for the years ended December 31st:

	2012	2011
Taxable income of domestic companies at a 15% tax rate	28,813 15%	63,227 15%
Standard income tax at the 15% rate (1)	4,322	9,484
Taxable income of domestic companies at a 33% tax rate	103,270 33%	112,124 33%
Standard income tax at the 33% rate (2)	34,079	37,001
Deferred income tax (3)	(15,366)	10,492
Income tax provision for domestic companies	23,035	56,977
Income tax for companies abroad	(5,952)	(31,953)
Total income tax provision posted to results	17,083	25,024

(1) Zona Franca Argos S.A.S. is subject to a 15% rate for income tax purposes, based on presumptive taxes in 2012 and 2011.

(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 recognition for tax effects of exchange rate differences in dollar-denominated debt, including the promissory note of Concrecem.

The income tax returns of Cementos Argos S.A. and its subsidiaries for fiscal years 2010 and 2011 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 said years.

TAX ON EQUITY

This tax was calculated by the Company at \$175,323, 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 \$126,961, and against results in the amount of \$12,090.

In 2012, as a result of the spin-off, the income tax on equity was reduced by \$3,982.

In 2012, the equity tax was posted to liabilities in the amount of \$31,238 (2011 \$31,740) and against results in the amount of \$12,090 (2011 \$12,090).

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 on gross income minus non-taxable income, costs, deductions, exempt income and capital gains, at a rate of 8%. For fiscal years 2013, 2014 and 2015 the applicable rate shall be 9%.

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

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 said 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 are required to submit in magnetic media to the National Tax and Customs Authority their consolidated financial statements, including attachments.

NOTE 15 – DEFERRED LIABILITIES

	2012	2011
Deferred taxes (1)	38,166	128,036
Deferred monetary correction (2)	-	7,640
	38,166	135,676

(1) The reduction is mainly at the companies Zona Franca Argos S.A.S. for \$5,859 due to unification of useful lives; Cementos Argos S.A. by \$18,543 from operations with financial derivatives; Argos USA Corp. by \$13,000; Southern Equipment Company Inc. by \$24,374 and Southern Star Concrete Inc by \$22,525.

(2) In 2011 Sociedad Portuaria Cementeras Asociadas S.A. accounted for \$258, and Urbanizadora Villa Santos S.A. for \$7,382. In 2012 these companies were spun off to Grupo Argos S.A.

NOTE 16 – LABOR LIABILITIES

	2012	2011
Retirement pensions payable	256,274	253,759
Accrued severance pay	7,800	7,919
Accrued vacation	13,089	12,176
Non-mandatory benefits (1)	20,884	16,816
Salaries payable	314	230
Other	8,372	936
	306,733	291,836
Minus–Long term portion	(255,627)	(253,366)
	51,106	38,470

(1) Primarily an increase at Argos Ready Mix LLC for \$3,758.

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 Financial Superintendence).
- (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 main factors used in the actuarial estimations for the years ended December 31st were:

	2012	2011
Number of persons	1,650	1,607
Interest rate	4.80%	4.80%
Future pension increase	3.26%	4.53%

Charges to income on account of retirement pensions were:

	2012	2011
Retirement pensions	28,651	58,890

Pension entitlements and certificates have been fully amortized.

The increase in liabilities is primarily the result of updated actuarial estimations as of December of 2012, mainly due to the inclusion of certain pensioners from Industrial Hullera S.A. en Liquidación, as a result of the pension liability normalization process whereby Cementos Argos S.A. definitely takes on the proportion of the obligation indicated in Memorandum dated October 9, 2012, issued by the Labor Ministry.

The following is the breakdown of pension liabilities:

	2012	2011
Actuarial calculation	222,539	216,005
Plus: Pension entitlements	29,484	33,985
Pension certificates	3,604	3,376
	255,627	253,366

The following is the breakdown of employees of the Company and its subsidiaries and management and employee expenses.

COMPANY	MANAGEMENT HEADCOUNT	MANAGEMENT STAFF EXPENSES	OTHER EMPLOYEES	EXPENSES OTHER EMPLOYEES
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	33,883
Argos USA Corp.	-	-	-	-
C.I. del Mar Caribe BVI Inc.	-	-	-	-
Canteras de Colombia S.A.S.	-	-	-	-
Caribbean Construction and Development Ltd.	1	67	8	154
Caricement Antigua Limited	-	-	6	548
Caricement Antilles NV	-	-	-	-
Caricement Saint Maarten NV	-	-	8	638
Caricement USVI Corp	2	271	4	180
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	91	3,158
Central Aggregates LLC	-	-	-	-
Cimenterie Nationale S.E.M.	5	1,277	212	5,913
Colcaribe Holdings S.A.	-	-	-	-
Comercial Arvenco C.A.	-	-	-	-
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
Gulf Coast Cement LLC	-	-	-	-
Haiti Cement Holding S.A.	-	-	-	-
International Cement Company S.A.	-	-	-	-
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	289	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 N.V.	-	-	-	-
Trans Atlantic Shipmanagement Ltd.	-	-	-	-
Transatlantic Cement Carriers Inc.	-	-	-	-
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 17 – OTHER LIABILITIES

At December 31st were comprised of:

	2012	2011
Accrued liabilities and provisions		
For costs and expenses (1)	139,113	125,631
For labor liabilities	8,667	5,403
For tax liabilities	18,145	39,954
For maintenance and repairs	1,285	1,330
For contingencies (2)	42,814	30,835
Sundry provisions	30,370	44,897
Deferred liabilities		
Revenues received in advance	5,023	6,188
Other liabilities		
Advance payments received (3)	56,680	66,757
Revenues received for third parties	107	177
Withholdings on third parties' contracts	-	485
For surety liabilities	759	426
	302,963	322,083

- (1) It mainly relates to provisions on goods and/or services received by Cementos Argos S.A. and pending billing by suppliers for \$21,966 (2011 \$25,217); and other liabilities for costs and expenses of the companies Southern Equipment 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) Mainly comprised of provisions for contingencies, as follows: labor contingencies for \$16,846 (2011 \$16,846), administrative contingencies for \$4,423 (2011 \$4,601) and other contingencies for \$8,533 (2011 \$1,742). At Argos Cement LLC for \$6,824.
- (3) It mainly relates to advance payments from clients for \$55,855 (2011 \$55,887) and advance payments on contracts for \$764 (2011 \$10,128).

The cost method was applied to assess accrued liabilities on costs and expenses, labor liabilities, tax liabilities, contingencies and sundry provisions.

NOTE 18 - SHAREHOLDERS' EQUITY

CORPORATE CAPITAL

Authorized capital comprises 1,500,000,000 shares with par value of \$6 Colombian pesos each, and subscribed and paid-in capital is made up of 1,215,247,885 shares. Re-acquired own shares total 63,575,575 and, consequently, the outstanding shares at December 31, 2012 and 2011 are 1,151,672,310.

	2012	2011
Authorized capital – 1,500,000,000 common shares with par value of \$6	9,000	9,000
Subscribed and paid-in capital – 1,215,247,885 common shares	7,291	7,291

LEGAL RESERVE

Domestic companies are required to appropriate to a legal reserve at least 10% of their net annual profits, until the balance of this reserve is equivalent to 50% of subscribed capital. Currently said reserve is above legal requirements by \$10,201. The legal reserve is not distributable prior to Company's winding up but may be used to absorb or reduce losses. Appropriations in excess of the mentioned 50% are freely available to the General Meeting of Shareholders.

As of December 31, 2012, the legal reserve totaled \$13,845 (2011 \$23,163); the \$9,318 reduction was due to the spin-off to Grupo Argos S.A.

RESERVE FOR REACQUISITION OF SHARES

Pursuant to the Code of Commerce this reserve on reacquired own shares is only distributable to shareholders upon a new sale thereof. As long as the shares are owned by the Company the rights attached to them remain suspended.

	2012	2011
Reserve for reacquisition of shares	113,797	113,797
Minus–reacquired own shares	(113,797)	(113,797)

OTHER RESERVES

On March 23, 2012 the General Assembly of Shareholders authorized the release of the non- taxable reserves for future expansion in the amount of \$51,234. It also decided to appropriate \$259,974 to the reserve for future expansion and investments. All other reserves are freely available to the shareholders.

SHAREHOLDERS' EQUITY REVALUATION

Pursuant to legal regulations in force until 2006, equity revaluation reflects the effect that the loss of purchasing power has on equity (inflation adjustments).

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 be 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 tax on equity against the shareholders' equity revaluation account without affecting period results. The Company used this option in recording the tax on equity for the periods 2011 to 2014 in the amount of \$126,961.

NOTE 19 – ASSET VALUATIONS AND VALUATION SURPLUS

Asset valuation and valuation surplus as of December 31 included the following:

	2012	2011
On permanent investments (1) (Note 8)	1,635,367	4,490,799
On property, plant and equipment and other assets (2) (note 9)	1,938,618	4,693,943
Valuations	3,573,985	9,184,742
Minus - Transfer of minority interest	100,723	112,373
Valuation surplus	3,473,262	9,297,115

(1) The decrease was mainly due to the sale of shares in Bancolombia S.A. and the spin-off of shares in Grupo Nutresa S.A., Bancolombia S.A. and Grupo de Inversiones Suramericana S.A. to Grupo Argos S.A.

(2) The reduction is due to the spin-off of fixed assets to Grupo Argos S.A.

In 2011, the firm Activos e Inventarios y Cía Ltda. took an inventory of the fixed assets of Grupo Cementos Argos S.A. at the various industrial, commercial and administrative units throughout the national territory. The valuation methodology used by Activos e Inventarios y Cía Ltda. is based on the assumption of an ongoing concern using 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 also includes 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).

NOTE 20 – MEMORANDUM ACCOUNTS

Memorandum accounts at December 31st were comprised of:

	2012	2011
Assets and securities delivered as collateral (1)	607,351	1,585,988
Fully depreciated assets (2)	845,033	781,425
Capitalization of shareholders' equity revaluation	55,391	55,391
Tax debit accounts (3)	10,240,923	10,704,952
Lawsuits and/or legal claims	8,595	8,915
Unused credits lines (4)	9,864	11,715
Other debit control accounts	52,006	47,003
Other (5)	171,701	210,368
	11,990,864	13,405,757
Contingent liabilities		
Assets and securities received	(42,949)	(40,710)
Other contingent liabilities (6)	(40,250)	(86,060)
Other (7)	(26,702)	(33,560)
	(109,901)	(160,330)
Credit memorandum accounts		
Tax credit accounts (8)	(9,647,374)	(9,727,654)
Credit control accounts	(1)	(660)
	(9,647,375)	(9,728,314)
	2,233,588	3,517,113

- 1) In 2012 it mainly relates to 5,200,000 shares of Grupo de Inversiones Suramericana S.A. delivered as collateral for financial liabilities with Bancolombia S.A. The decrease compared to 2011 is mainly due to repayment of the loan to HSBC New York, which had been given shares as collateral. It also includes the cement plant of Sogamoso, including its land, given as collateral to back financial liabilities of Acerías Paz del Río S.A. for \$72,844.
- 2) The increase is mainly due to updating of the Company assets at market value.
- 3) It relates to differences between the book and tax values of assets, liabilities and revenues, mainly of Cementos Argos S.A., and the largest difference is in shareholders' equity in the amount of 8,965,160 in 2012 and 2011.
- 4) The decrease is due to termination of the contract with Chevron Petroleum Company, linked to the cancellation of a standby letter of credit of Cementos Argos S.A. and Zona Franca S.A.S. with Citibank N.A.
- 5) The reduction is primarily related to the spin-off of Sociedad Portuaria Cementeras Asociadas S.A. to Grupo Argos S.A., which in 2011 contributed rental properties for \$31,018.
- 6) The reduction is primarily the result of the effect of exchange rate differences on minimum rights representing future delivery commitments, for \$36,525 in 2012 (2011 \$40,117), to the spin-off to Grupo Argos S.A. of the memorandum accounts of Carbones del Caribe S.A.S. (2011 \$40,788) and of Sociedad Portuaria de Cementeras Asociadas S.A. (2011 \$1,406).
- 7) The decrease is mainly due to the updating of labor and administrative lawsuits against Cementos Argos and the spin-off to Grupo Argos S.A. of Carbones del Caribe S.A.S., Urbanizadora Villa Santos S.A.S. and Sociedad Portuaria del Golfo de Morrosquillo, whose consolidated contingencies totaled \$42,202 in 2011.
- 8) It mainly relates to the differences in the book and tax values of valuations, which at Cementos Argos S.A. total \$8,744,320.

NOTE 21 –ADMINISTRATION EXPENSES

At December 31 administration expenses were comprised of:

	2012	2011
Personnel expenses	150,920	116,246
Services	46,835	40,629
Professional fees (1)	45,984	24,029
Maintenance and repairs	13,660	9,485
Amortization of deferred charges	13,289	13,979
Travel expenses	10,867	8,283
Depreciation of property, plant and equipment	10,291	18,790
Insurance	10,153	8,626
Rental fees	7,547	7,695
Contributions and affiliations	3,558	4,325
Legal expenses	3,028	4,249
Taxes	1,690	2,124
Cafeteria and restaurant	1,679	1,463
Entertainment and public relation expenses	1,423	936
Office supplies	836	512
Adaptation and assembly	614	327
Transportation	545	499
Provisions	290	440
Sundry (2)	3,886	29,593
	327,095	282,230

- (1) Mainly technical consulting for \$16,674 (2011 \$9,799) and financial consulting for \$15,500 (2011 \$1,034).
- (2) In 2011 it includes expenses related to the acquisition of companies in USA by Argos USA Corp. for \$20,346 and by Cementos Panamá S.A. for \$7,551, mainly associated to the ERP change-over.

NOTE 22 – SALES EXPENSES

At December 31 sales expenses were comprised of:

	2012	2011
Personnel expenses	59,674	40,646
Services	30,495	19,380
Amortization of deferred charges	24,972	25,651
Taxes	21,810	19,337
Provisions	6,413	4,814
Depreciation of property, plant and equipment	4,511	5,282
Professional Fees	3,843	3,252
Travel expenses	3,700	2,674
Rental fees	3,407	3,080
Contributions and affiliations	3,087	793
Maintenance and repairs	2,019	1,872
Insurance	1,738	2,291
Fuels and lubricants	1,028	57
Public relations expenses	527	365
Office supplies	257	84
Commissions	202	412
Legal expenses	47	103
Adaptation and assembly	38	3
Sundry	2,506	4,626
	170,274	134,722

NOTE 23 – DIVIDENDS AND PARTICIPATIONS RECEIVED

	2012	2011
Dividends and participations received	35,512	72,283
	35,512	72,283

It mainly includes dividends received from the investments in Bancolombia S.A. for \$18,808 (2011 \$27,316), in Grupo de Inversiones Suramericana S.A. for \$13,993 (2011 \$33,231), and in Grupo Nutresa S.A. for \$1,496 (2011 \$8,531). The reduction arises from the transfer of shares to Grupo Argos S.A. as a result of the spin-off.

NOTE 24 – EXCHANGE DIFFERENCE

	2012	2011
Exchange gain	62,154	1,199
Exchange loss	(63,314)	(17,047)
Net exchange difference	(1,160)	15,848

In 2012, the average net position between dollar-denominated assets and liabilities was USD\$2,314,072 (long); exchange rate exposure is primarily managed through the natural position of the balance sheet, and any uncovered balances are hedged through financial derivatives.

NOTE 25 – OTHER REVENUES

Other revenues at December 31 were comprised of:

	2012	2011
Gain from sale of permanent investments (1)	231,369	641,370
Recoveries (2)	52,071	29,892
Services	9,398	2,485
Other sales	5,764	6,727
Indemnifications	5,190	5,142
Gain from sale of property, plant and equipment	4,017	13,490
Professional fees	2,641	4,809
Rental Revenue	1,967	3,301
Exploitation of assets	1,714	2,499
Gain from sale of other assets	822	856
Revenues from prior periods	558	605
Subsidies	311	75
Other (3)	46,440	34,772
	362,262	746,023

- (1) In 2012 it relates to the profit on the sale of shares of Bancolombia S.A. In 2011 it relates to the sale of shares in Cartón Colombia S.A. \$3,961, Grupo de Inversiones Suramericana S.A. \$607,290, Bancolombia S.A. \$23,752.
- (2) It mainly relates to the recovery of provisions on investments for \$40,683 (2011 \$11,780 and recovery of costs and expenses for \$11,355 (2011 \$11,780).
- (3) In 2012, it primarily relates to additional payment received by Cement Investments Ltd. for \$45,925 from Vale Do Río Doce due to revaluation of coal deposits at the Las Cuevas mine. In 2011 it relates to the gain from the liquidation of Fortecol Investments Limited, Godiva Investments Ltd., Climsford Investments Limited and Belsford Ltd.

NOTE 26 – OTHER EXPENSES

At December 31 other expenses were comprised of:

	2012	2011
Third party taxes taken on (1)	35,386	28,895
Retirement pensions and pension certificates (2)	28,181	52,890
Costs and expenses from prior periods	26,814	9,943
Grants and contributions	15,464	10,210
Provision for the devaluation of permanent investments (3)	15,407	59,446
Labor lawsuits	14,013	9,758
Other amortizations (4)	4,538	195,995
Cost of sale of materials and spare parts	4,532	4,743
Cost of other sales	3,378	7,304
Loss from sale and disposal of other assets	3,182	2,581
Litigation costs	3,179	653
Indemnifications	2,408	5,873
Related parties' expenses	2,400	249
Fines, penalties, legal claims and lawsuits (5)	1,786	12,303
Disposal of property, plant and equipment (6)	996	13,321
Loss from the sale and disposal of property, plant and equipment	546	2,067
Loss from accidents	237	555
Amortization of deferred charges	79	484
Loss from sale of investments	-	215
Other (7)	20,421	75,850
	182,947	493,335

- (1) It relates to the tax on equity of Zona Franca Argos S.A.S. for \$12,080; tax on financial transactions in Cementos Argos S.A. for \$13,313, Logística de Transporte S.A. for \$1,580 and Valle Cement Investments Ltd. for \$1,844 resulting from the tax withholdings made on interest on loans from related parties and dividends paid by Cementos Colón S.A.
- (2) It relates primarily to payment of retirement pensions for \$19,549, pension subsidy for \$3,348 and amortization of actuarial calculations for \$538. In 2011, 100% of the pension liability balance pending as of December 31, 2010, was amortized for \$32,880.
- (3) The reduction is primarily because in 2011 the investment protection provision of Cementos Argos S.A. in Argos USA Corp. was \$38,757, and in 2012 such a provision was not made.
- (4) In 2012 it is the amortization of the goodwill of Cementos Panamá S.A. for \$4,538. In 2011, it includes the full amortization of the brands Fortaleza and Uno A for \$96,799 resulting from a brand use assessment and the amortization of goodwill of Caricement and Domar for \$84,302, in Cementos Panama for \$2,270 and in Carbones del Caribe S.A.S. for \$2,656.
- (5) The reduction relates to the contingencies provision made in 2011 for Carbones del Caribe S.A.S. for \$8,280, related to payment of the Pro University Hospital stamp tax in bi-monthly periods III and IV.
- (6) In 2011 it related to the disposal of the assets of Betania Plant for \$9,012, disposal of tractor-trailers for \$976 and disposal of assets for scrap for \$430.
- (7) Colcaribe Holdings S.A. for \$6,575 (2011 \$6,413) as a result of the dividends of Cementos Panamá S.A. assigned to Cementos Argos S.A.; Cementos Argos S.A. in costs of non-operating assets for \$6,448 (expenses at farms and all expenses not related to cement production); Cementos Argos S.A. for \$4,092 in agreements with Fundación Argos to mitigate impact on communities, \$2,401 in expenses taken on from Industrial Hullera S.A. en Liquidación.

NOTE 27 – TRANSACTIONS WITH RELATED PARTIES

The following is a summary of assets and liabilities at December 31, 2011 - 2010, and of the revenues and expenses of the Parent company arising from transactions carried out during the years then ended with shareholders holding more than 10% of the Parent company's capital, with directors and with Company legal representatives and managers.

2012	Shareholders	Directors	Legal Representatives and Managers
<hr/>			
At year end			
Assets			
Accounts receivable	2,603	-	-
Total assets	2,603	-	-
Revenues			
Salaries	-	-	-
Professional fees	2,260	-	-
Rental fees	72	-	-
Interest	-	-	-
	67	-	-
Disbursements			
Salaries	-	-	5,311
Professional fees	-	-	-
Rental fees	261	-	-
Interest	-	-	-
	261	-	5,311

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

At December 31 of 2012, transactions with related parties are:

COMPANIES	ACCOUNTS RECEIVABLE	DETAIL	ACCOUNTS PAYABLE	DETAIL
Grupo Argos S.A.	2,603	Balance on loans to employees transferred to Grupo Argos S.A. as a result of the spin-off	4,722	Rental of plots of land
Asesorías y Servicios Ltda. en Liquidación	208	Capitalization	788	Services
Carbones del Caribe Ltda. en liquidación			-	
			8	Interest on loan
Carbones del Caribe S.A.S.	1,906	Amount left over from liquidation of the company Emcarbón.	2,459	Coal purchases
	1,466	Balance of loans to employees transferred by the spin-off, sale of wood and sundry items	168	Transfer of account payable to Emcarbón, loan and sundry items
Cementos de Caldas S.A.			6,145	Purchase of 326,876 shares of Metroconcreto S.A., 1,066,625 shares of Logitrans S.A., 5,800 shares of Aridos de Antioquia, 3,700 shares of Canteras de Colombia, rental of offices and warehouses and interest on loans.
Celsia S.A. E.S.P.	19	Loans to personnel	41	Supply of electric power
Compañía de Puertos Asociados S.A.	6	Sale of 20,000 shares of Sociedad Portuaria Golfo de Morrosquilla, 4,000 of Sociedad ortuaria Las Flores, 4,000 of Sociedad Portuaria La Inmaculada. (This companies were absorbed by COMPAS S.A.) transferred in 2011	60	Wharfing services
Concesiones Urbanas S.A.			41	Interest on loan
Corporación de Cemento Andino C.A.	11,579	Technical support and loans	887	Loan
Distribuidora Colombiana de Cementos Ltda. en Liquidación	-		425	Purchase of 247,745 shares of Flota Fluvial Carbonera S.A.S., 25,000 shares of C.I. Carbones del Caribe, 10,000 shares of Sociedad Portuaria Golfo de Morrosquillo S.A.S.
Fundiciones Colombia S.A.	3	Loan to pay taxes	-	
Proservi Ltda. en Liquidación	21	Capitalization and loan to pay Companies Superintendence	8	Liquidation Vigilancia Privada del Litoral Ltda.
Surandina de Puertos C.A.	-		145	Loan
Transmarítima del Caribe Ltda. en Liquidación	284	Loan (liquidation) and interests	-	
Transportadora Alfa Ltda. en liquidación	91	Loan	-	
Transporte Elman Ltda. en Liquidación	-		515	Sale of income tax refund certificates (TIDIS)
Urbanizadora Villa Santos S.A.S.	1,146	Employee loans transferred in spin-off	30	Condoning of employee loans transferred in spin-off
Other	10		70	
Total	19,342		16,602	

2011	Shareholders	Directors	Legal Representatives and Managers
At year end			
Assets			
Accounts receivable	8,640	-	9,480
Total assets	8,640	-	9,480
Revenues			
Interests	67	-	-
	67	-	-
Disbursements			
Salaries	-	-	5,896
Professional fees	4,652	-	-
Insurance	141	-	-
Interest	21	-	-
	4,814	-	5,896

Transactions with related parties at December 31, 2011 refer to:

COMPANIES	ACCOUNTS RECEIVABLE	DETAIL	ACCOUNTS PAYABLE	DETAIL
Inversiones Argos S.A.	8,640	Services	125	Services
Andino Trading Corporation	-		974	Loan
Asesorías y Servicios Ltda. en Liquidación	208	Capitalization	-	
Carbones del Caribe Ltda. en liquidación			8	Interest on loan
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.
Compañía Colombiana de Inversiones S.A. E.S.P.	19			
Concesiones Urbanas S.A.			41	Interest on loan
Corporación de Cemento Andino C.A.	12,721	Technical support and loans	2,275	Sale of materials
Distribuidora de Cementos Ltda. en Liquidación	19	Payment of income tax, disbursed by Cementos Argos S.A.	445	Reimbursement automatic debit corresponding to Dicementos S.A. telephone lines, acquisition of 3,600 shares Sociedad Portuaria La Inmaculada S.A., 4,000 shares of Sociedad Portuaria Las Flores S.A., 50,000 shares of Sociedad Portuaria Río Córdoba S.A.
Fundiciones Colombia S.A.	3		-	
Fundacion para el Beneficio Social de los Empleados de Carbones del Caribe	21	Loan	-	Electric power bills covering the grant of FBSECC to the army and which the electricity company bills to Carbones del Caribe S.A.S.
Flota Fluvial Carbonera S.A.S	-		4	Tub boat rental
Promosur S.A. en Liquidación	-		1	
Proservi Ltda. en Liquidación	20	Capitalization	8	Liquidation Vigilancia Privada del Litoral Ltda.
Reforestadora El Guásimo S.A.	23	Insurance participation on account of third party liability and services	-	
Surandina de Puertos C.A.	-		159	Loan
Transmarítima del Caribe Ltda. en Liquidación	284	Loan (liquidation) and interests	-	
Transportadora Alfa Ltda. en liquidación	1	Loan to pay for 2009 income tax.	-	
Other	3,335		62	
Total	25,294		9,993	

The above transactions were carried out at regular market prices.

During 2012 and 2011 no transactions with shareholders, directors and legal representatives were carried out meeting the following description:

- a) Services for consideration or for no consideration.
- b) Loans imposing on borrower an obligation not corresponding with the essence or nature of the loan agreement.
- c) Loans at interest rates other than those which are ordinarily paid or charged to third parties under similar conditions as regards term, risk, etc.

NOTE 28 – CONTINGENCIES AND SUBSEQUENT EVENTS

CEMENTOS ARGOS S.A. AND SUBSIDIARY COMPANIES

During 2012 there were no:

1. Inspection visits by control agencies that resulted in warnings or sanctions.
2. Administrative, contentious or civil final and binding penalties imposed by the relevant national, departmental or municipal authorities.
3. Judgment against Company officers for events occurred in the performance of their duties in office under criminal proceedings.

FINANCIAL RATIOS

	2012	2011
Current ratio - times (current assets / current liabilities)	0.75	0.54
Total indebtedness (total liabilities / total assets)	43.54%	30.29%
Asset turnover - times (operating revenues / total assets)	0.43	0.22
Profitability:		
Net margin (net income / operating revenues)	8.85%	10.08%
Return on equity (net income / shareholders' equity)	6.78%	3.18%
Return on total assets (net income / total assets)	3.76%	2.20%
EBITDA	791,190	681,544
EBITDA Margin	18.06%	18.58%
EBITDA on total shareholders' equity	13.85%	5.87%

INFORMATION SUMMARY

Ratio	Formula	Description
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

CEMENTOS ARGOS S.A. BALANCE SHEET

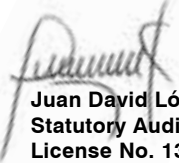
As of December 31
(Millions of Colombian pesos)

ASSETS	Notes	2012	2011
CURRENT ASSETS			
Cash		72,333	151,286
Negotiable investments	4	627	13,135
Receivables, net	5	534,570	555,135
Inventories, net	6	110,057	145,200
Prepaid expenses		7,636	5,822
TOTAL CURRENT ASSETS		725,223	870,578
NON-CURRENT ASSETS			
Long-term debtors	5	635,127	744,269
Long-term investments	7	3,883,548	4,459,627
Property, plant and equipment, net	8	685,908	731,896
Deferred and intangible assets, net	9	480,326	470,934
Other assets		4,752	12,886
Asset revaluations	10	3,022,777	8,470,749
TOTAL NON-CURRENT ASSETS		8,712,438	14,890,361
TOTAL ASSETS		9,437,661	15,760,939
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Financial liabilities	11	437,561	1,042,663
Bonds outstanding	12	77,200	224,002
Commercial paper	12	-	199,030
Suppliers and accounts payable	13	434,872	409,439
Taxes, levies and contributions	14	75,725	84,472
Labor liabilities	15	19,945	18,168
Estimated liabilities	16	76,935	59,556
Advance payments		44,335	53,104
TOTAL CURRENT LIABILITIES		1,166,573	2,090,434
NON-CURRENT LIABILITIES			
Financial liabilities	11	264,640	553,263
Bonds outstanding	12	1,930,588	1,006,146
Labor obligations	15	255,627	253,365
Suppliers and accounts payable	13	75,857	111,122
Taxes, levies and contributions	14	25,970	51,940
Deferred liabilities		3,115	28,234
TOTAL NON-CURRENT LIABILITIES		2,555,797	2,004,070
TOTAL LIABILITIES		3,722,370	4,094,504
SHAREHOLDERS' EQUITY			
See attached statement	17	5,715,291	11,666,435
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		9,437,661	15,760,939
Memorandum Accounts	18	1,283,939	2,465,697

The accompanying notes form integral part of the financial statements.


Jorge Mario Velásquez J.
 Legal Representative
 (See attached certificate)


Óscar Rodrigo Rubio C.
 Corporate Accounting Manager
 License No. 47208-T
 (See attached certificate)


Juan David López M.
 Statutory Auditor
 License No. 139197-T
 Assigned by Deloitte & Touche Ltda.
 (See attached report)

CEMENTOS ARGOS S.A.

INCOME STATEMENT

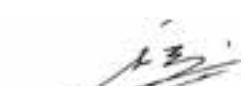
Years ended on December 31

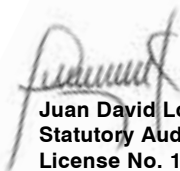
(Millions of Colombian pesos, except earnings per share)

	Notas	2012	2011
Operating revenues	19	1,768,330	1,602,470
Cost of sales		1,150,343	1,086,715
GROSS PROFIT		617,987	515,755
OPERATING EXPENSES			
Administrative expenses	20	197,781	167,778
Sales expenses	21	71,728	60,275
Total operating expenses		269,509	228,053
OPERATING INCOME		348,478	287,702
OTHER REVENUES (EXPENSES)			
Financial revenues		28,721	36,161
Financial expenses		(199,245)	(174,291)
Exchange rate differences, net		548	(15,330)
Net participation in subsidiaries' profits	7	19,031	(196,101)
Other revenues	22	340,595	767,079
Other expenses	23	(133,952)	(308,990)
PRE-TAX INCOME		404,176	396,230
Income tax provision	14	16,557	26,256
NET INCOME		387,619	369,974
Net earnings per share in Colombian pesos		336,57	321,25

The accompanying notes form integral part of the financial statements.


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CEMENTOS ARGOS S.A. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended on December 31
(Millions of Colombian pesos)

	Capital	Premium on placement of shares	Surplus participation method	Legal reserve	Reserve future expansion	Other reserves	Total Reserves	Revaluation of equity	Earnings from previous periods	Earnings of the period	Asset Revaluation Surplus	Total Shareholders equity
BALANCES AT DECEMBER 31, 2010	7.291	210.819	256.702	23.163	703.228	15.877	742.268	1.005.990	-	288.878	8.744.957	11.256.905
Transfer to income from previous periods	-	-	-	-	-	-	-	-	288.878	(288.878)	-	-
Release of non-taxable reserves for future expansions	-	-	-	-	(6.134)	-	(6.134)	-	6.134	-	-	-
Dividends declared in cash at \$126 per year per share payable in four installments starting in April, 2011	-	-	-	-	-	-	-	-	(152.021)	-	-	(152.021)
Appropriation for reserve for future expansions	-	-	-	-	142.991	-	142.992	(103.879)	(142.991)	-	-	(103.879)
Tax on equity	-	-	569.664	-	-	-	-	-	-	-	-	569.664
Surplus based on the participation method	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments and valuations to property, plant and equipment	-	-	-	-	-	-	-	-	-	-	(1.461.961)	(1.461.961)
Adjustments and valuations of investments at intrinsic or market value	-	-	-	-	-	-	-	-	-	-	1.187.753	1.187.753
Period income	-	-	-	-	-	-	-	-	-	369.974	-	369.974
BALANCES AT DECEMBER 31, 2011	7.291	210.819	826.366	23.163	840.085	15.877	879.126	902.111	-	369.974	8.470.749	11.666.435
Transfer to income from previous periods	-	-	-	-	-	-	-	-	369.974	(369.974)	-	-
Dividends declared in cash at \$140 per year per share payable in four installments starting in April, 2012	-	-	-	-	-	-	-	-	(161.235)	-	-	(161.235)
Appropriation for reserve for future expansions	-	-	-	-	208.739	-	208.739	-	(208.739)	-	-	-
Surplus based on the participation method	-	-	(240.301)	-	-	-	-	-	-	-	-	(240.301)
Adjustments and valuations of investments at intrinsic or market value	-	-	-	-	-	-	-	-	-	-	(3.082)	(3.082)
Spin-off	(1.175)	(33.969)	(135.581)	(9.318)	(163.427)	(427)	(173.172)	(145.358)	-	-	(5.444.890)	(5.934.145)
Capitalization of premium on placement of shares	1.175	(1.175)	-	-	-	-	-	-	-	-	-	-
Period income	-	-	-	-	-	-	-	-	-	387.619	-	387.619
BALANCES AT DECEMBER 31, 2012	7.291	175.675	450.484	13.845	885.397	15.450	914.693	756.753	-	387.619	3.022.777	5.715.291

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CEMENTOS ARGOS S.A. STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended on December 31

(Millions of Colombian pesos)

STATEMENT OF
CASH FLOW

STATEMENT OF CHANGES IN
FINANCIAL POSITION

STATEMENT OF CHANGES IN
SHAREHOLDERS' EQUITY

INCOME STATEMENT

BALANCE SHEET

	2012	2011
THE FINANCIAL RESOURCES WERE PROVIDED BY:		
Net profit	387,619	369,974
Plus (minus) debits (credits) to results that do not affect work capital		
Participation in profits of subsidiaries	(19,031)	196,101
Depreciation and amortization of property, plant and equipment	91,612	94,561
Amortization of deferred charges and intangible assets	43,084	40,079
Gain in the sale of property, plant and equipment	(214)	(7,178)
Gain in the sale of long-term investments	(231,368)	(638,387)
Profit (loss) in the sale of other assets	(4)	266
Loss in the sale or disposal of assets	3,195	119,142
Amortization of retirement pensions	538	26,794
Exchange rate differences in long-term liabilities	(18,399)	15,478
Exchange rate differences in long-term investments and others	63,980	(10,448)
Amortization of deferred taxes and others	(5,116)	8,759
Recovery of provisions	(33,546)	(2,286)
Provision on assets	8,057	56,421
Working capital provided by the year's operations	290,407	269,276
FINANCIAL RESOURCES FROM OTHER RESOURCES:		
Dividends received from long-term investments	43,996	43,015
Sales of property, plant and equipment	841	9,517
Sales of long-term investments	259,344	667,615
Sales of other assets	405	1,079
Decrease in long-term inventories	-	1,164
Increase in long-term liabilities	-	18,565
Increase in bonds outstanding	922,800	-
TOTAL FINANCIAL RESOURCES PROVIDED	1,517,793	1,010,231
TOTAL FINANCIAL RESOURCES USED		
Declared dividends	161,235	152,020
Acquisition of property, plant and equipment	89,758	120,665
Increase in long-term investments	45,022	1,573,904
Decrease in long-term financial liabilities	273,442	32,764
Decrease in long-term accounts payable	56,293	-
Increase in deferred and intangible assets	71,188	45,929
Increase in long-term accounts receivable	338	2,375
Payment of tax on equity	-	103,880
Net reduction in assets and liability due to spin-off	42,011	-
Decrease in long-term bonds	-	224,002
TOTAL FINANCIAL RESOURCES USED	739,287	2,255,539
INCREASE (DECREASE) IN WORKING CAPITAL	779,506	(1,245,308)
CHANGES IN WORKING CAPITAL COMPONENTS:		
Cash	(78,953)	20,663
Tradable investments	(12,508)	(200,327)
Accounts receivable, net	(20,565)	(286,618)
Inventories, net	(35,143)	20,527
Pre-paid expenses	1,814	(2,267)
Financial liabilities	605,102	(597,012)
Bonds and commercial paper	345,832	(173,032)
Suppliers and accounts payable	(25,433)	13,402
Taxes, levies and contributions	(3,067)	(42,096)
Labor liabilities	(1,777)	62
Other liabilities and estimated liabilities	3,204	1,390
INCREASE (DECREASE) IN WORKING CAPITAL	778,506	(1,245,308)

The accompanying notes form integral part of the financial statements.

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CEMENTOS ARGOS S.A. STATEMENT OF CASH FLOW


Years ended on December 31
(Millions of Colombian pesos)

	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit	387,619	369,974
Adjustments to reconcile net profit with net cash flow from operating activities		
Participation in profits of subsidiaries	(19,031)	196,101
Depreciation and amortization of property, plant and equipment	91,612	94,561
Amortization of deferred charges and intangible assets	43,084	40,079
Gain in the sale of property, plant and equipment	(214)	(7,178)
Gain in the sale of long-term investments	(231,368)	(634,804)
Profit (loss) in the sale of other assets	(4)	266
Loss in the sale or disposal of assets	5,601	120,381
Amortization of bonds	1,642	1,642
Amortization of retirement pensions	538	26,794
Exchange rate differences in long-term liabilities	(18,937)	15,507
Exchange rate differences in long-term investments and others	63,980	(10,448)
Amortization of deferred taxes and others	(6,758)	7,117
Recovery of provisions	(35,656)	(1,265)
Provision on assets	15,092	63,266
Valuation of derivative transactions	39,358	(49,234)
	336,558	232,759
CHANGES IN OPERATING ASSETS AND LIABILITIES		
Accounts receivable	(86,842)	207,750
Inventories	(26,162)	(21,200)
Prepaid expenses	(1,814)	2,267
Suppliers and accounts payable	(39,197)	(63,824)
Labor liabilities	3,501	(62)
Other liabilities and estimated liabilities	29,752	(1,445)
Taxes, levies and contributions	(34,717)	42,096
	181,079	398,341
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Sales of property, plant and equipment	841	9,517
Sales of long-term investments	259,344	667,615
Sales of other assets	405	1,079
Dividends received in cash	89,441	167,124
Acquisition of long-term investments	(45,022)	(1,573,904)
Acquisitions of properties, plant and equipment	(89,758)	(120,665)
Increase in deferred and intangible assets	(71,188)	(45,929)
	144,063	(895,163)
CASH FLOW USED IN FINANCING ACTIVITIES:		
Dividends paid in cash	(115,027)	(108,430)
Increase in long-term accounts receivable	-	(2,375)
Net increase (decrease) in financial liabilities	(878,544)	564,248
Decrease in long-term accounts payable	-	18,565
Payment of bonds and commercial paper outstanding	(423,032)	(250,000)
Placement of bonds and commercial paper outstanding	1,000,000	199,030
	(416,603)	421,038
Reduction in cash and cash equivalents	(91,461)	(75,784)
Other items that do not affect cash		
Payment of the tax on equity	-	(103,880)
Cash and equivalents at the beginning of the year	164,421	344,085
CASH AND EQUIVALENTS AT THE END OF THE YEAR	72,960	164,421
CASH EQUIVALENTS		
Cash	72,333	151,286
Tradable investments	627	13,135
	72,960	164,421

The accompanying notes form integral part of the financial statements.


Jorge Mario Velásquez J.
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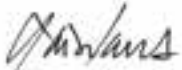

Juan David López M.
Statutory Auditor
License No. 139197-T
Assigned by Deloitte & Touche Ltda.
(See attached report)

CERTIFICATION BY THE LEGAL REPRESENTATIVE OF THE COMPANY

Barranquilla, February 21, 2013

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

In my capacity of Legal Representative I certify that the individual financial statements as of December 31, 2012 that have been made available to the public are free from inaccuracies, misstatements or material errors that would prevent knowing the true financial situation or the operations carried out by Cementos Argos S.A. during the relevant period.



Jorge Mario Velásquez J.
Legal Representative
Cementos Argos S.A.

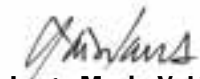
CERTIFICATION BY THE LEGAL REPRESENTATIVE AND THE CORPORATE ACCOUNTING MANAGER OF THE COMPANY

Barranquilla, February 21, 2013

To the shareholders of Cementos Argos S.A.:

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

- a) All assets and liabilities included in the financial statements of the Company 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 facts of the Company during the years ended on December 31, 2012 and 2011 have been recognized in the financial statements.
- c) 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.
- d) All items have been recognized for the appropriate amounts according to the generally accepted accounting principles of Colombia.
- e) All economic events affecting the Company and its subsidiaries have been duly classified, described and disclosed in the financial statements.



Jorge Mario Velásquez J.
Legal Representative
Cementos Argos S.A.



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



STATUTORY AUDITOR'S REPORT

To the shareholders of CEMENTOS ARGOS S.A.:

I have audited the general balance sheets of CEMENTOS ARGOS S.A. and its subsidiaries as of December 31, 2012 and 2011, and the corresponding statements of income, of changes in shareholders' equity, of changes in financial position and of cash flow for the years ended on said dates, and the summary of the main accounting policies and other explanatory notes.

Management is responsible for the preparation and correct presentation of the financial statements according to the generally accepted accounting principles of Colombia. This responsibility includes: designing, implementing and maintaining an internal control system for the preparation and presentation of the financial statements, free from significant misstatements, either by fraud or error; selecting and applying appropriate accounting policies; and performing accounting estimations that are reasonable under the circumstances.

My responsibility is to express an opinion on these financial statements based on my audits. I have obtained the information required to carry out my work according to generally accepted auditing standards in Colombia. Said standards require me to plan and perform the audit so as to obtain reasonable assurance on whether the financial statements are free from material misstatements. A financial statement audit includes examining, on a selective basis, the evidence that supports the figures and disclosures of the financial statements. The auditing procedures selected depend on the professional judgment of the auditor, including his assessment of the risk of significant errors in the financial statements. In assessing such risk, the auditor takes into consideration the Company's internal controls of relevance for the reasonable preparation of the financial statements, in order to design audit procedures that are appropriate under the circumstances. An audit also includes evaluating the appropriateness of the accounting principles used for significant accounting estimations made by Management, as well as an evaluation of the overall presentation of the financial statements. I believe my audits have provided a reasonable basis to express my opinion.

In my opinion, the aforementioned financial statements, taken from the accounting books, reasonably represent, in all material aspects, the financial situation of CEMENTOS ARGOS S.A. as of December 31, 2012 and 2011, the results of their operations, the changes in shareholders' equity, the changes in financial position and cash flows for the years ended on said dates, according to the generally accepted accounting principles of Colombia, applied on a uniform basis.

As indicated in Note 1 of the financial statements, on May 30, 2012, the spin-off by absorption was completed, whereby Cementos Argos S.A. delivered to the parent company Grupo Argos S.A. net assets in the amount of \$5.9 billion. This operation affects the comparability of the attached financial statements.

Additionally, based on the scope of my audits, I report that the Company has carried its accounting according to legal regulations and accounting technique; the transactions recorded in the accounting books and the actions of management are in line with the by-laws and the decisions of the Assembly of Shareholders and the Board of Directors; the correspondence, accounting vouchers and the books of minutes and the shareholder registry are properly carried and maintained; the management report is in agreement with the basic financial statements; the Company is not overdue in its payments to the Comprehensive Social Security System, and mechanisms are in place to prevent and control asset laundering as prescribed by External Circular Letter No. 60 of 2008 of the Financial Superintendence. My assessment of the internal control system, performed with the objective of defining the scope of my audit tests, gave no indication that the Company has failed to follow adequate measures of internal control and the conservation of its own assets and the assets of third parties under its custody.



Juan David López M.

Statutory Auditor

T.P. 139197-T

Assigned by Deloitte & Touche Ltda.

February 21, 2013



ARGOS

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SNS-182

Planta Puente Aranda, Colombia

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS OF CEMENTOS ARGOS S.A.

AS OF DECEMBER 31, 2012 and 2011
(Millions of Colombian pesos, except as otherwise stated)

NOTE 1 – REPORTING ENTITY

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. Its main place of business is the city of Barranquilla and the life span of the Company expires on August 14, 2060.

By means of public deed No. 2503, registered at the Chamber of Commerce of Barranquilla on May 30 of 2012, a spin-off by absorption was completed to make the Company an organization focused on the cement, concrete and aggregates businesses, following approval by the Financial Superintendence through Resolution 616 of April 26, 2012.

The net assets transferred to Grupo Argos S.A. (formerly Inversiones Argos S.A.) are comprised by:

Accounts receivable	48,982
Inventory – urban development works	57,088
Investments in equities and valuations	3,119,314
Properties and equipment, net and valuations	2,518,930
Other assets	8,390
Liabilities	18,559
Shareholders' equity (net assets)	5,934,145

The company owns plants in the following regions of the country:

Central Region: Sogamoso and San Gil

North Region: Barranquilla, Tolviejo and Sabanagrande

Northwestern Region: Nare, Cairo and Rioclaro

Southwestern Region: Yumbo

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

In preparing its consolidated financial statements, the parent company, by law, is required to use the Generally Accepted Accounting Principles of Colombia, as established by the Financial Superintendent and in other regulations. The main accounting policies and practices implemented by the Company in accordance with the above are described as follows:

CONSOLIDATION OF FINANCIAL STATEMENTS

Cementos Argos S.A. is part of the Argos Business Group, whose parent company is Grupo Argos S.A. (formerly Inversiones Argos S.A.).

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 participation method, as explained below. These financial statements are presented to the General Assembly of Shareholders and are the ones that serve as the basis for the distribution of dividends and other appropriations. By law, the Company is required to additionally submit consolidated financial statements to the approval of the General Assembly of Shareholders.

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

- a) When more than 50% of its capital is owned by Cementos Argos, 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) Cementos Argos its subsidiaries have, jointly or severally, 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.
- c) Cementos Argos, directly or through or with the assistance of 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 of Colombia. Management is required to make estimations and assumptions that affected 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 time period. 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 parent 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 FORM

The 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 in 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.
- Shareholders' equity accounts are translated at the exchange rates in effect on each of the dates on which the transactions occurred. For companies on which no historic information is available, shareholders' equity was translated at the closing exchange rate of December 2005.
- Income statement accounts are translated at the exchange rates in effect on the dates on which the transactions occurred; should this be impossible, the average exchange rate for each month is used.
- Differences in translation are posted to 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 general balance sheet items at year-end rates.

In turn, amounts denominated in dollars of the United States of America 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 to 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 liquidated or until the balance is capitalized. In the event it is capitalized, it can be used to offset losses if the company incurs in cause for dissolution; but under no circumstance 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 February, 2010 offered the option of offsetting the annual installments of the equity tax established through Law 1370 of 2009 against the shareholders' equity valuation account.

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 EBITDA.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash on hand and in banks, savings deposits and all highly liquid investments.

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 closing 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. Exchange rate differences arising while assets are under construction or installation 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 rate differences of equity investments in foreign subsidiaries are carried as a higher or lower value of equity in the surplus by the equity method account.

DERIVATIVE FINANCIAL INSTRUMENTS

In its ordinary course of business, the Company is exposed to various financial risks, which in general may be summarized as follows:

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

Liquidity risk: 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: losses arising from breach by the other party.

Operational risk: 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.

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

The following are the derivatives used by the company:

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 illiquidity, 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 only the positive or negative differences between the interest flows that the parties agree to exchange are recognized. Profits or losses arising from the arrangements are recognized directly in the period results.

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 taken to the period's results.

FORWARD ARRANGEMENTS

They are used to cover the exchange rate risk in foreign currency debt and investment transactions, 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 posted against period results.

OPTION 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 range of market exchange rates and provide protection against extreme rate changes. They are valued by applying the Black-Scholes model.

NEGOTIABLE AND PERMANENT INVESTMENTS

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

- a) Permanent investments are those the Company has the serious intent of maintaining for their full term to redemption or maturity, and for a minimum time period of three years when the maturity date is greater or when they have no maturity date. In the latter case, in order to classify an investment as permanent, it must be held by the Company for at least three calendar years counted from the date on which it was acquired, without prejudice of classifying it as such starting on the same date.

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 tradability, as rated by the Financial Superintendence, 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 said Superintendence. The market price of securities of low or minimum tradability, or of non-listed shares, is established based on the latest financial statements published by the issuer of the security (intrinsic value).
- b) Investments 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 Business Group are classified as negotiable investments. In the case of fixed- or variable-income debt securities, they 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.

PROVISION FOR THE PROTECTION OF DOUBTFUL ACCOUNTS

The provision for doubtful accounts receivable is reviewed and updated each year by management based on an analysis of the ages 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.

INVENTORIES

Inventories are recorded at cost and at the end of the period they are adjusted downward to fair market value, if fair market value is lower. 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 and until May, 2011, inventories included urban development works and land for development. All costs and taxes incurred in the preparation of lands for development were recorded as part of the cost up to the time when they were 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.

Sales and disposals of these assets are recorded at their respective net adjusted cost, and the difference between the sale price and the net adjusted cost is posted against results.

Depreciation is calculated using the straight line method, 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.

Properties and assets whose cost of acquisition is equal to or less than three 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 results, whereas improvements and additions are added to the asset's cost.

DEFERRED ASSETS

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 mainly include computer software, which are amortized in straight line over a maximum of three years; improvements to third party properties; deferred income taxes, and other projects such as network integration and improvement of the documentation platform, 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. The amortization period for trademarks is 20 years, and 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 the 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 over the entity 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 Colombian Finance Superintendence, 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 base for the preparation of extraordinary financial statements, the Company assesses the goodwill originated from each investment, in order to verify its adequacy for inclusion in the balance sheet.

In other countries where the Company has 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 Colombian Financial Superintendence, in accordance with what is set forth in section 11 of Decree 2649 of 1996 regarding substance above legal form.

ASSET REVALUATION

This relates to:

- a) 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 real estate and their respective net book values. Such appraisals were performed by independent experts, based on their replacement and impairment values, in 2011. These appraisals are updated every three years, as a minimum.

LABOR LIABILITIES AND RETIREMENT PENSIONS

Labor liabilities are adjusted at the closing of each period based on current regulations and 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.

In 2012 and 2011 pension payments made during the year were posted directly against the year's results.

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 according to the terms and conditions set forth in the above-mentioned law.

For the consolidation process, the Company carries the labor liabilities as established according to the accounting technique and implicit legal obligations acquired by the subsidiaries. In this sense, the Company does not consider it necessary to make any further accounting estimations for effects of the consolidation of employee benefits on a basis other than that used by the countries where the liabilities were created.

INCOME 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 arising from temporary differences between accounting and tax reporting figures are carried as deferred taxes, provided there is a reasonable expectation of generating enough taxable income in the periods during which the tax differences are to be offset.

TAX ON EQUITY AND SURCHARGE

Pursuant to the Law that regulates the generally accepted accounting principles of Colombia, Decree 514 of 2010, and the alternative accounting methods provided for therein, the Company has adopted the option of recording the tax on equity established in Decree 4825 of 2010 against the shareholders' equity revaluation account.

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, purchase-sale promises, fully depreciated assets and differences 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; rental revenues are recognized during the month they accrue and service revenues are recognized when the service is rendered. Revenues from dividends are recognized when the issuer declares such dividends.

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

STATEMENTS OF CASH FLOWS

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

NET EARNINGS PER SHARE

Consolidated net income per share is calculated based on the weighted annual average of subscribed and outstanding shares. Re-acquired own shares are excluded for the effects of this calculation.

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.

RECLASSIFICATION IN FINANCIAL STATEMENTS

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

CONVERGENCE TOWARDS INTERNATIONAL FINANCIAL REPORTING STANDARDS

According to what is set forth 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 of 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. According to these rules, the mandatory transition period begins on January 1, 2014, and the first comparative financial statements under IFRS are to be issued on December 31, 2015.

Cementos Argos S.A. is classified under Group 1 because it issues securities, and it is consequently required to submit an IFRS implementation plan to the Financial Superintendent by February 28, 2013. Since the Company has all the information and procedures in place to perform the IFRS conversion for itself and its subsidiaries at any time, an internal assessment is being performed regarding the most appropriate date to officially perform the opening balance, which is to be agreed on with the oversight and control bodies, and the subsequent process of making these statements available to the securities markets. However, for all effects, the timetable established by the National Government shall be maintained.

NOTE 3 – TRANSACTIONS IN FOREIGN CURRENCY

Basic regulations in effect 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 in Colombian pesos was COP \$1,768.23 (2011 COP \$1,942.70) per US\$1.

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

	2012		2011	
	Dollars	Millions of Colombian pesos	Dollars	Millions of Colombian pesos
Current assets	226,426,002	400,373	556,423,899	1,080,964
Non-current assets	1,491,954,984	2,638,120	1,488,651,683	2,892,004
Total assets	1,718,380,986	3,038,493	2,045,075,582	3,972,968
Current liabilities	(238,692,533)	(422,063)	(566,067,445)	(1,099,699)
Non-current liabilities	(367,035,030)	(649,002)	(398,132,308)	(773,452)
Total liabilities	(605,727,563)	(1,071,065)	(964,199,753)	(1,873,151)
Net position including investments in subsidiaries	1,112,653,423	1,967,428	1,080,875,829	2,099,817
Investments in subsidiaries	(1,100,562,980)	(1,946,048)	(1,077,540,102)	(2,093,337)
Net asset (liability) position	12,090,443	21,380	3,335,727	6,480

The average net position between assets and liabilities in dollars was USD\$2,314,072. As a result, at the closing of 2012, exchange rate differences totaled \$548. Exchange rate exposure is managed primarily through the natural position of the balance sheet, and the remaining uncovered balances are hedged through financial derivative arrangements.

The net position is reviewed on a monthly basis. Notes 5 and 13 include detailed information on financial derivatives outstanding.

Starting in 2007, as prescribed in Decree 4918 of 2007, exchange rate differences of equity investments in subsidiaries abroad are recorded as a greater or lower value of shareholders' equity in the surplus by participation method account. These amounts are excluded from the calculation of the net position that affects Company results.

NOTE 4 – NEGOTIABLE INVESTMENTS

Negotiable investments as of December 31st were comprised of:

	Annual average Rate in 2012	2012	2011
Fixed-term certificates of deposit (1)	0.0	88	12,517
Trust fund units in local currency	4.24	533	275
Bonds, securities and bank acceptances		-	337
Tax refund certificates		6	6
		627	13,135

(1) It is mainly related to overnight operations with Citibank for US\$ 650,000.

No restriction has been imposed on these investments that would limit their availability for use.

NOTE 5 – ACCOUNTS RECEIVABLE

As of December 31st the receivables account was comprised of:

	2012	2011
National customers (1)	263,396	265,136
Foreign customers (USD\$525,803 (2011 USD\$1,589,485))	934	3,088
Related parties (See note 24)	744,469	850,994
Advance payments	9,599	9,717
Promises to enter into purchase-sale agreements	2,716	1,679
Non-invoiced revenues (2)	37,475	23,812
Tax and contribution advance payments (3)	86,096	54,755
Accounts receivable from employees	21,013	31,564
Loans to third parties	337	388
Swap accounts receivable (4)	10,685	4,317
Forward accounts receivable	-	59,352
Sundry debtors	3,372	2,685
	1,180,092	1,307,487
Minus – Provision	(10,395)	(8,083)
Total accounts receivable	1,169,697	1,299,404
Minus long-term portion (5)	(635,127)	(744,269)
	534,570	555,135

- (7) The reduction is primarily the result of the spin-off of the accounts receivable related to the real estate business for \$3,426. The remainder is primarily accounts receivable of sales on credit to customers of Cementos Argos S.A. for \$139,209 and receivables commissioned by Zona Franca Argos S.A.S. for \$16,260 (2100 \$15,962) and local sales of Concretos Argos S.A. for \$105,122 (2011 \$93,514).
- (8) It relates primarily to dividends receivable for \$25,776 (2011 \$15,851), including from Cementos Panamá S.A. for \$20,345 and others for \$11,699 (2011 \$7,956), including Fundación para el Beneficio for \$7,760.
- (9) It relates mainly to a balance in favor in income tax for the current fiscal year for \$70,257 (2100 \$43,148) and deductible taxes for \$8,424.
- (10) It relates to the valuation of the following currency swap financial derivative arrangements, which created a positive valuation in favor of the Company at the end of the year:

Swap arrangements

Underlying	Underlying amount (COP\$ or US\$)	Underlying rate	Swap amount (COP\$ or US\$)	Swap Rate	Maturity
2017 Bonds	\$343,520	CPI + 3.1%	US\$190,000,000	Libor + 1.75%	Nov 23/17
2017 Bonds	\$89,800	CPI + 3.1%	US\$50,000,000	Libor + 1.92%	Nov 23/17

- (11) It is primarily related to loans to Argos USA Corp, for \$616,626 (2011 \$686,276) for pre-payment of the syndicated loan (Citibank PLC, backed by EKF Denmark).

The provision for doubtful receivables changed as follows:

	2012	2011
Opening balance	8,083	7,808
Provision for the year	6,161	4,917
Recoveries	(74)	(863)
Accounts written off	(3,775)	(3,779)
Closing balance	10,395	8,0

The following are the amounts of overdue accounts receivable as of December 31:

	2012	2011
Up to 30 days	114,906	69,978
Between 31 and 360 days	18,625	53,251
Over 360 days	5,678	8,975
	139,209	132,204

The following are the maturity dates of the long-term accounts receivable as of December of 2012:

2014	20,019
2015	88,411
2016	167,396
2017 and subsequent years	359,299
	635,127

Interest rates applicable to long term accounts receivable are: for employee loans, between 1.98% and 14.41%; for loans to related parties 4.98% E.A. (See Note 24).

As of December 31, 2012, there were no encumbrances on accounts receivable.

NOTE 6 – INVENTORIES - NET

Inventories at December 31st were comprised of:

	2012	2011
Raw materials and direct materials (1)	18,995	23,800
Production in progress	13,098	13,897
Urban development works (2)	-	30,953
Finished products (3)	30,975	22,827
Materials, spare parts and accessories	39,246	44,184
Inventories in transit	4,348	6,873
Other	7,149	6,372
	113,811	148,906
Minus– provision for the protection of inventories	(3,754)	(3,706)
Total inventories	110,057	145,200

- (1) The reduction is mainly due to high consumption of coal and imported materials such as slag and gypsum to supply year-end production.
- (2) The change is due to the spin-off of urban development works, real estate properties for sale and lands for development, which were absorbed by Grupo Argos S.A.
- (3) Finished product inventories increased considerably towards the end of the year in order to meet high demand for cement in the first months of 2013.

The following was the change in the provision for the protection of inventories:

	2012	2011
Opening balance	3,706	3,824
Provision for the year	1,962	1,819
Inventories written off	(1,914)	(1,937)
Closing balance	3,754	3,706

There are no encumbrances or restrictions on inventories.

NOTE 7 – PERMANENT INVESTMENTS - NET

Permanent investments as of December 31st included:

	2012	2011
Controlled permanent investments - equities		
Shares	3,458,203	4,076,875
Participations	363,594	206,627
Non-controlled permanent investments - equities		
Shares	121,305	292,815
Non-controlled permanent investments - debt		
Bonds and others	549	535
	3,943,651	4,576,852
Minus – Provision for the protection of investments	(60,103)	(117,225)
	3,883,548	4,459,627

The following investments are pledged as collateral for credit lines with Bancolombia S.A.:

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

2012

Company	Domicile	Business	Valuation	Shares Outstanding	No. of shares	Percentage held	Class of share	Adjusted book value	Market value	Provision	Revaluation (devaluation)
Corporations (Sociedades Anónimas)											
Argos USA Corp.	USA	Investments		29,305	1,227,003	1,221,444		83.21	5,559	-126,060	-
C.I. del Mar Caribe BVI Inc.	British Virgin Islands	Representation services		18,400	15,210	15,446		93.88	-	8,173	236
Corporaciones e Inversiones del Mar Caribe S.A.S.	Barranquilla	Investments		12,834,648	46,391	46,391		100	-	6,729	-
Canteras de Colombia S.A.S.	Medellín	Gravel and clay quarrying		27,670	5,720	5,864		5.97	-	-19	144
Colcaribe Holding S.A.	Panama	Investments		117,860	130,540	140,055		100	-	-2,524	9,515
Concretos Argos S.A.	Bogotá	Concrete producer		8,596,667	318,955	332,670		93.13	-	21,186	13,715
Ganadería Río Grande S.A.S.	Medellín	Agriculture		10,700,000	2,157	-		100	2,157	-3,831	-
Haiti Cement Holding S.A.	Haití	Investments		78,000	19,858	16,125		50	3,733	2,580	-
International Cement Company S.A.	Panama	Investments		10,000	18,261	18,961		100	-	-652	700
Logística de Transporte S.A.	Medellín	Cargo transportation		22,425,181	32,912	34,036		94.89	-	5,331	1,124
Cemento Panamá S.A.	Panama	Investments		1,298,122	248,298	218,733		85.61	29,565	65,617	-
Reforestadora del Caribe S.A.S.	Cartagena	Reforestation		1,337,500	35,000	37,842		100	-	1,580	2,842
Transatlantic Cement Carrier Inc.	Panama	Ocean cargo shipping		33,500	43,664	50,826		100	-	-3,802	7,162
Zona Franca Argos S.A.S.	Cartagena	Cement production		64,550,000	1,314,234	1,315,453		100	-	20,829	1,219
Sub-total corporations					3,458,203	3,453,846			41,014	-4,863	36,657
Partnerships (Sociedades limitadas)											
Valle Cement Investments Ltd.	British Virgin Islands	Investments		2	359,795	341,537		80	18,258	23,894	-
Distribuidora Col. de Cementos Ltda. en Liquidación	Barranquilla	Trading		200,000	3,674	4,820		100	-	-	1,146
Transportes Elman Ltda. en Liquidación	Barranquilla	Land, river and sea transport		8,637	95	77		1.08	18	-	-
Profesionales a su Servicio Ltda. en Liquidación	Barranquilla	Personnel consulting and recruiting		194,900	10	-		50	10	-	-
Asesorías y Servicios Ltda en Liquidación	Barranquilla	Personnel consulting and recruiting		316,500	20	-		50	20	-	-
Sub-total partnerships					363,594	346,434			18,306	23,894	1,146
NON-CONTROLLED											
Bancolombia S.A. (*)	Medellín	Financial intermediary		20,437,148	61,413	613,114		4.01	-	-	551,701
Cementos de Caldas S.A.	Manizales	Cement production		20,179,195	3,027	3,158		39.83	-	-	131
Cartón Colombia S.A. (*)	Cali	Cardboard production		2,308,930	5,088	13,616		2.14	-	-	8,528
Grupo de Inversiones Suramericana S.A. (*)	Medellín	Financial intermediary		28,183,262	39,384	1,070,964		6.01	-	-	1,031,580
Fundiciones Colombia S.A.	Medellín	Metallurgy		38,543,456	278	11		1.54	267	-	-
Industrial Hullera S.A.	Medellín	Coal mining		2,426,054	155	-		37.47	155	-	-
Omya Colombia S.A.	Guarne	Non-metal minerals production		6,345,425	11,554	39,438		50	-	-	27,884
Sociedad de Transporte Férreo S.A.	Cali	Railroad services		72,294	331	-		2,95 331	-	-	-
Other less than \$100					75	8,080		-	12	-	8,017
Sub-total non-controlled					121,305	1,748,381			765	-	1,627,841
TOTAL EQUITY INVESTMENTS					3,943,102	5,548,661			60,085	19,031	1,665,644
Provision						(60,103)					
PERMANENT DEBT INVESTMENTS											
Bonds and others					549	870			18	-	339
TOTAL PERMANENT INVESTMENTS					3,883,548	5,549,531			0	60,103	19,031
											1,665,983

Valuations:

I: Intrinsic value
B: Stock market price

Type of Share:

O: Ordinary
P: Preferred

Notes:

The investment portfolio is comprised of ordinary shares

Valuation of the companies is based on intrinsic value, with the exception of (*), which are based on stock market prices.

2011

Compañía	Domicilio	Actividad económica	No. de acciones	Costo ajustado	Valor comercial	Participación %	Provisión	Participación en resultados	Valorización y/o (desvalorización)
Corporations (Sociedades Anónimas)									
Argos USA Corp.	USA	Investments	28,951	1,497,373	1,458,615	83.04	35,758	-146,539	-
Carbones del Caribe S.A.S.	Barranquilla	Coal mining	6,404,888	63,416	37,537	96.08	25,879	-42,287	-
C.I. del Mar Caribe BVI Inc.	British Virgin Islands	Representation services	18,400	7,183	8,132	93.88	-	1,425	949
Corporaciones e Inversiones del Mar Caribe S.A.S.	Barranquilla	Investments	13,659,132	83,290	83,290	100	-	-82,979	-
Carteras de Colombia S.A.S.	Medellín	Gravel and clay quarrying	27,670	5,739	5,883	5.97	-	194,144	-
Colcaribe Holding S.A.	Panama	Investments	117,860	150,180	157,639	100	-	-1,241	7,459
Concretos Argos S.A.	Bogotá	Concrete producer	8,936,623	402,519	411,994	93.37	-	-10,810	9,475
Ganadería Río Grande S.A.S.	Medellín	Agriculture	10,000,000	2,641	2,551	100	90	-571	-
Haití Cement Holding S.A.	Haití	Investments	78,000	18,559	15,148	50	3,411	203	-
International Cement Company S.A.	Panama	Investments	10,000	6,525	6,392	100	133	-3,694	-
Logística de Transporte S.A.	Medellín	Cargo transportation	22,425,181	27,581	28,862	94.89	-	12,101	1,281
Cemento Panamá S.A.	Panama	Investments	1,298,122	258,145	229,053	85.61	29,092	53,576	-
Point Corp.	British Virgin Islands	Investments	38,000	147,378	134,233	80.85	13,145	762	-
Reforestadora del Caribe S.A.S.	Cartagena	Reforestation	1,337,500	33,405	36,247	100	-	3,775	2,842
Sociedad Portuaria Golfo de Morrosquillo S.A.	Sincelejo	Port services	3,100,550	16,491	11,758	94.9	4,733	810	-
Sociedad Portuaria de Cementeras Asociadas S.A.	Buenaventura	Port services	28,470	5,024	4,553	94.9	471	990	-
Sociedad Portuaria la Inmaculada S.A.	Barranquilla	Port services	37,960	47	41	94.9	6	-	-
Sociedad Portuaria las Flores S.A.	Barranquilla	Port services	47,450	54	47	94.9	7	(1)	-
Transatlantic Cement Carrier Inc.	Panama	Ocean cargo shipping	33,500	44,423	50,247	100	-	-686	5,824
Urbanizadora Villa Santos S.A.S.	Barranquilla	Construction	560,000	13,943	13,588	100	355	6,024	-
Zona Franca Argos S.A.S.	Cartagena	Cement production	64,550,000	1,292,959	1,294,178	100	-	7,882	1,219
Sub-total corporations				4,076,875	3,989,988		113,080	(201,066)	29,193
Partnerships (Sociedades limitadas)									
Valle Cement Investments Ltd.	British Virgin Islands	Investments	1	202,828	215,875	100	-	4,965	13,047
Carbones del Caribe Ltda. En Liquidación	Barranquilla	Coal mining	83	-	1	0.53	-	-	1
Distribuidora Col. de Cementos Ltda. en Liquidación	Barranquilla	Trading	200,000	3,674	4,248	100	-	-	574
Transportes Elman Ltda. en Liquidación	Barranquilla	Land, river and sea transport	8,637	95	81	1.08	14	-	-
Profesionales a su Servicio Ltda. en Liquidación	Barranquilla	Personnel consulting and recruiting	194,900	10	-	50	10	-	-
Asesorías y Servicios Ltda en Liquidación	Barranquilla	Personnel consulting and recruiting	316,500	20	-	50	20	-	-
Sub-total partnerships				206,627	220,205		44	4,965	13,622
NON-CONTROLLED									
Bancolombia S.A. (*)	Medellín	Financial intermediary	39,916,932	119,950	1,136,834	7.83	-	-	1,016,884
Cementos de Caldas S.A.	Manizales	Cement production	20,179,195	3,027,318	39.83	-	-	153	-
Cartón Colombia S.A. (*)	Cali	Cardboard production	2,308,930	5,088	28,960	2.14	-	-	23,872
Grupo de Inversiones Suramericana S.A. (*)	Medellín	Financial intermediary	97,183,662	135,806	3,022,412	20.72	-	-	2,886,606
Fundiciones Colombia S.A.	Medellín	Metallurgy	38,543,456	278	11	1.54	267	-	-
Grupo Nutresa S.A. (*)	Medellín	Confectionery products	24,940,650	15,444	543,706	5.42	-	-	528,262
Industrial Hullera S.A.	Medellín	Coal mining	2,426,054	155	-	37.47	155	-	-
Omya Colombia S.A.	Guare	Non-metal minerals production	6,345,425	11,554	32,391	50	-	-	20,837
Sociedad de Transporte Férreo S.A.	Cali	Railroad services	72,294	331	-	2.95	331	-	-
Sociedad Portuaria Bocas de Ceniza S.A.	Barranquilla	Port services	403,130	484	406	2.23	78	-	-
Sociedad Puerto Industrial Aguadulce S.A.	Buenaventura	Port services	4,390	103	40	0.05	63	-	-
Triple A Barranquilla S.A. E.S.P.	Barranquilla	Public utilities	68,514	289	185	0.09	104	-	-
Other less than \$100				306	8,285	85	-	8,064	8,017
Sub-total non-controlled				292,815	4,776,410		1,083	-	4,484,678
TOTAL EQUITY INVESTMENTS				4,576,317	8,986,603		114,207	(196,101)	4,527,493
Provision							(117,225)		
PERMANENT DEBT INVESTMENTS									
Bonds and others				535	804		18	-	287
TOTAL PERMANENT INVESTMENTS				4,459,627	8,987,407		114,225	(196,101)	4,527,780

Valuations:

I: Intrinsic value
B: Stock market price

Notes:

The investment portfolio is comprised of ordinary shares
Valuation of the companies is based on intrinsic value, with the exception of (*), which are based on stock market prices.

Type of Share:

O: Ordinary
P: Preferred

In 2012 Cementos Panamá S.A. declared dividends for \$43,996.

The following are the values of assets, liabilities, shareholders' equity and year results, valued using the equity participation method:

Company	2012				2011			
	Assets	Liabilities	S's.Equity	Profit (loss)	Assets	Liabilities	S's.Equity	Profit (loss)
Argos USA Corp. (1)	2,240,457	772,598	1,467,859	(151,492)	2,621,242	864,767	1,756,475	(176,463)
Cl. del Mar Caribe (BVI) Inc.	46,373	29,919	16,454	8,706	27,684	19,021	8,663	1,518
Canteras de Colombia S.A.S.	107,120	8,813	98,307	(325)	108,775	10,143	98,632	3,249
Cemento Panamá S.A.	426,121	170,625	255,496	76,645	443,307	175,757	267,550	62,581
Cimenterie Nationale S.E.M. (CINA)	61,652	20,205	41,447	8,990	61,359	17,589	43,770	6,166
Colcaribe Holdings S.A.	176,663	36,608	140,055	(2,524)	198,745	41,106	157,639	(1,241)
Concretos Argos S.A. (4)	657,165	299,946	357,219	22,750	734,344	293,104	441,240	(11,578)
Corporaciones e Inversiones del Mar Caribe S.A.S. (4)	96,438	50,048	46,390	6,729	161,502	78,211	83,291	(82,979)
Ganadería Río Grande S.A.S. (1)	14,369	15,509	(1,140)	(7,191)	12,997	10,447	2,550	(571)
Haiti Cement Holding S.A.	32,251	-	32,251	5,159	30,296	-	30,296	407
International Cement Company S.A. (1)	18,961	-	18,961	(652)	6,562	170	6,392	(3,694)
Logística de Transporte S.A.	49,150	13,282	35,868	5,618	49,505	19,090	30,415	12,752
Reforestadora del Caribe SAS.	46,597	8,756	37,841	1,580	44,555	8,309	36,246	3,775
Transatlantic Cement Carriers Inc. (1)	60,908	10,082	50,826	(3,802)	59,556	9,309	50,247	(686)
Valle Cement Investments Limited (2)	531,428	159,440	371,988	26,024	500,710	284,836	215,874	4,965
Zona Franca Argos S.A.S.	1,385,076	69,624	1,315,452	20,829	1,393,966	99,787	1,294,179	7,882
Carbones del Caribe S.A.S. (3)	-	-	-	-	99,220	60,151	39,069	(44,013)
Point Corp. (2)	-	-	-	-	180,692	14,667	166,025	943
Sociedad Portuaria Golfo de Morrosquillo S.A. (3)	-	-	-	-	21,672	9,282	12,390	854
Sociedad Portuaria La Inmaculada SA. (3)	-	-	-	-	49	6	43	-
Sociedad Portuaria Las Flores SA. (3)	-	-	-	-	53	3	50	-
Sociedad Portuaria de Cementeras Asociadas SA. (3)	-	-	-	-	16,471	11,673	4,798	1,043
Urbanizadora Villa Santos SAS. (3)	-	-	-	-	61,816	48,228	13,588	6,024

(1) These companies were capitalized in 2012 as follows:

Argos USA Corp USD\$10,522,878; International Cement Company S.A. USD\$7,500,000; Transatlantic Cement Carriers Inc. USD\$5,000,000; Ganadería Río Grande S.A.S \$3,500.

(2) In 2012 Valle Cement Investments Ltd. was merged with Point Corp.

(3) The effect of the spin-off on permanent investments, whereby shares in companies focused on mining, ports and finance, among others, were spun off, totaled \$152,519.

(4) The reduction in shareholders' equity is primarily the result of the following spin-offs:

- Concretos Argos S.A. was spun off to create the company Inversiones Fort Corp. S.A.S.
- Corporaciones e Inversiones del Mar Caribe S.A. was spun off to create Round Corp. S.A.S.

Both Fort Corp S.A.S. and Round Corp. S.A.S. were absorbed by Grupo Argos S.A.

The following is the breakdown of shareholders' equity in controlled investments:

2012	Corporate Capital	Capital surplus	Reserves	S. Equity Revaluation	Year Results	Previous year results	Valuation surplus	S. Equity
Company								
Argos USA Corp.	2,289,652	640	-	(125,547)	(151,492)	(550,684)	5,290	1,467,859
Zona Franca Argos S.A.S.	64,550	903,043	5,418	-	20,829	-	321,613	1,315,453
Valle Cement investments Ltd.	13,798	21,191	-	(187,995)	26,024	455,465	43,506	371,988
Concretos Argos S.A.	9,249	128,239	4,888	37,082	22,750	-	155,011	357,219
Cemento Panamá S.A.	265,278	-	-	(57,818)	76,645	(28,609)	-	255,496
Colcaribe Holdings S.A.	20,357	2,907	-	754	(2,524)	108,377	10,184	140,055
Canteras de Colombia S.A.S.	464	11,902	-	3,489	(325)	(8,161)	90,938	98,307
Transatlantic Cement Carriers Inc.	6,133	48,306	-	(3,946)	(3,802)	1,074	3,061	50,826
Corp. e Inversiones del Mar Caribe S.A.S.	12,835	94,246	390	578	6,729	(88,603)	20,216	46,391
Cimenterie Nationale S.E.M. (CINA)	26,092	-	13,949	(6,260)	8,990	(1,325)	-	41,446
Reforestadora del Caribe S.A.S.	1,338	11,623	951	2,552	1,580	4,984	14,814	37,842
Logística de Transporte S.A.	142	13,633	13,384	2,824	5,618	-	267	35,868
Haiti Cement Holding S.A.	31,430	-	-	(3,623)	5,159	(715)	-	32,251
International Cement Company S.A.	13	22,158	-	106	(652)	(3,192)	528	18,961
Cl. del Mar Caribe BVI Inc.	54	-	-	(3,843)	8,706	11,536	-	16,453
Ganadería Río Grande S.A.S.	5,350	6,448	-	-	(7,191)	(5,900)	153	(1,140)

2011	Corporate Capital	Capital surplus	Reserves	S. Equity Revaluation	Year Results	Previous year results	Valuation surplus	S. Equity
Company								
Argos USA Corp.	2,269,420	-	-	30,442	(176,463)	(373,085)	6,161	1,756,475
Zona Franca Argos SAS.	64,550	903,043	-	(445)	7,882	(2,464)	321,613	1,294,179
Concretos Argos SA.	9,589	130,019	16,466	39,327	(11,578)	-	257,417	441,240
Cemento Panamá SA.	265,739	-	-	(30,975)	62,581	(29,795)	-	267,550
Valle Cement Investments Ltd.	13,716	14,213	-	(67,180)	4,965	191,052	59,108	215,874
Point Corp.	101	-	-	(19,751)	943	184,732	-	166,025
Colcaribe Holdings SA.	20,357	2,579	-	13,417	(1,241)	109,522	13,005	157,639
Canteras de Colombia SAS.	464	11,902	-	3,489	3,249	(11,410)	90,938	98,632
Corp. e Inversiones del Mar Caribe SAS.	13,659	101,798	390	577	(82,979)	(9,117)	58,963	83,291
Transatlantic Cement Carriers Inc.	6,133	39,594	-	83	(686)	1,760	3,363	50,247
Cimenterie Nationale S.E.M. (CINA)	26,092	-	14,582	(3,070)	6,166	-	-	43,770
Carbones del Caribe SAS.	7,500	16,740	-	86,702	(44,013)	(48,960)	21,100	39,069
Reforestadora del Caribe S.A.S.	1,338	11,622	951	2,540	3,775	1,208	14,812	36,246
Logística de Transporte S.A.	142	13,633	632	2,824	12,752	-	432	30,415
Haiti Cement Holding SA.	31,430	367	-	(885)	407	(1,023)	-	30,296
Urbanadora Villa Santos SAS.	56	5,445	404	1,550	6,024	-	109	13,588
Soc. Portuaria Golfo de Morrosquillo SA.	3,267	9,582	-	162	854	(6,382)	4,907	12,390
Cl. del Mar Caribe BVI Inc.	54	-	-	(2,927)	1,518	10,018	-	8,663
International Cement Company S.A.	13	8,847	-	724	(3,694)	502	-	6,392
Soc. Portuaria Cementeras Asociadas SA.	30	2,136	108	-	1,043	255	1,226	4,798
Ganadería Río Grande SAS.	5,000	3,297	-	-	(571)	(5,329)	153	2,550
Soc. Portuaria Las Flores SA.	50	-	1	10	-	(14)	3	50
Soc. Portuaria La Inmaculada SA.	40	-	-	15	-	(17)	5	43

In 2012 and 2011 no dividends in shares were declared.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT, NET

The balance of property, plant and equipment as of December 31st includes:

	2012					2011				
	Cost	Accumulated Depreciation	Net book value	Commercial appraisal	Valuation	Cost	Accumulated Depreciation	Net book value	Commercial appraisal	Revaluation
Land (1)	76,910	-	76,910	362,427	285,517	134,780	-	134,780	2,950,618	2,815,838
Mines, quarries and mineral deposits	119,300	119,300	-	157,079	157,079	119,574	119,485	89	207,661	207,572
Constructions and buildings	446,114	283,024	163,090	344,812	181,722	425,218	264,134	161,084	343,757	182,673
Transportation equipment	18,513	13,526	4,987	9,326	4,339	17,650	10,501	7,149	11,840	4,691
Machinery and equipment (2)	1,648,191	1,264,300	383,891	1,106,441	722,550	1,607,695	1,205,677	402,018	1,126,766	724,748
Furniture and chattels, computers and medical scientific equipment.										
Construction in progress.	39,614	18,582	21,032	26,207	5,175	31,221	14,581	16,640	22,012	5,372
Equipment being assembled	50,710		50,710	50,710	-	26,590	-	26,590	26,590	-
Property plant and equipment in transit	2,863	-	2,863	2,863	-	5,411	-	5,411	5,411	-
Provision for asset impairment	-	-	(17,575)	-	-	-	-	(21,865)	-	-
	2,402,215	1,698,732	685,908	2,059,865	1,356,382	2,368,139	1,614,378	731,896	4,694,655	3,940,894

Depreciation and amortization taken to results in 2012 amounted to \$91,616 (2011 \$94, 561).

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.

The Company carried out technical appraisals of property, plant and equipment in 2011. The appraisal methods applied are explained in note 10.

- (1) The reduction is primarily a result of the assets spun off to the parent company Grupo Argos S.A. for a net book amount of \$40,006.
- (2) The increase of machinery and equipment is mainly due to capitalization of major overhauls performed for \$27,881 and acquisition of new assets.

NOTE 9 – DEFERRED CHARGES AND INTANGIBLE ASSETS, NET

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

	2012	2011
Concessions and franchises (1)	279,849	288,263
Trademarks (2)	139,866	166,038
Rights (3)	171,383	134,297
Goodwill (4)	896,547	948,021
Deferred assets, net (5)	154,397	170,999
Minus accumulated amortization	(264,446)	(239,124)
	1,375,489	1,466,387

- (1) It includes partial concession of title 11387 acquired from Acerías Paz del Río S.A. in December, 2008, for USD\$41,256,757 (\$95,524) to exploit a minimum of 369,000 tons per year of limestone; the current balance is \$73,048 (2011 \$78,667). Also, coal mining title 878-T at the mine La Trinidad, located in the municipality of Sutatausa, Boyacá, for \$4,721. The reduction compared to 2011 is mainly the transfer to Sociedad Portuaria Golfo de Morrosquillo S.A.S. in March of 2012 of the port concession on public use properties No. 40, which includes beaches, land, main dock and infrastructure in Barranquilla, Atlántico, for \$6,311.

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

Contract number	Type of title	Main mineral	Municipality	Department	Value	Status	Start date	Term (years)
2952	Mining Concession Decree-Law 1275	Limestone and sand	Barranquilla and Puerto Colombia	Atlántico	Indefinite	Extension request	07/03/1980	30
3632	Mining concession Decree-Law 2655	Limestone and sand	Tolúviejo Barranquilla and Puerto Colombia	Sucre	Indefinite	Exploitation	06/10/1992	30
9334	Mining concession Decree-Law 2655	Calcareous	Tolúviejo Barranquilla and Puerto Colombia	Atlántico	Indefinite	Exploitation	04/02/1993	30
18610	Mining concession Decree-Law 2655	Limestone	Turbaco	Bolívar	Indefinite	Exploitation	04/02/1997	30
7609	Mining concession Decree-Law 2655	Limestone	Curití	Santander	Indefinite	Exploitation Extension and conversion	23/08/2004	30
8420	Mining concession Decree-Law 2655	Limestone	Yumbo	Valle	Indefinite	Exploitation	11/10/1991	30
8421	Mining concession Decree-Law 685	Limestone	Puerto Nare and Caracolí	Antioquia	Indefinite	Exploitation	09/05/2007	30
14335	Mining concession Decree-Law 685	Limestone	Puerto Nare Duitama and Santa Rosa de Viterbo	Antioquia	Indefinite	Exploitation	10/08/2007	30
14665	Mining concession Decree-Law 685	Limestone	Puerto Nare Duitama and Santa Rosa de Viterbo	Boyacá	Indefinite	Exploitation	23/08/2007	21

- (2) It mainly relates to valuation of acquired brands. The valuation methodology used was based on the analysis of discounted cash flow; the value of the intangible asset is calculated based on the operating cash flow it can generate over a given time period, discounted at a rate that reflects the risk of said flows. This methodology is supported on the return obtained from ownership of the brand on said flows (the brand's contribution to the business, both currently and in the future):

- Argos brand acquired from Grupo Argos S.A. (formerly Inversiones Argos S.A.) in December of 2005 for \$115,389. The valuation of the brand was performed by Corporación Financiera Colcorp. It is amortized over a period of 20 years and includes inflation adjustments of \$5,273.

- (3) It includes the contributions made by the Company to Real Estate Trust Agreement 732-1359 managed by Fiduciaria Fiducorp S.A. for the forest reestablishment project in Carmen de Bolívar, for \$29,699 (2011 \$26,130). Additionally, it includes an availability right acquired from Acerías Paz del Río in December of 2008 for USD\$21,500,000 (\$39,828), regarding purchases of a minimum of 150,000 tons per year of slag during 15 years, extendable for an equal time period; the net balance is \$28,627 (2011 \$31,282).

It also includes the following assets acquired through financial leasing agreements under a monthly payment model for \$18,693, including the following:

Description	Contract	Amount	Initial Amount	Termination Date	Duration in months	Installments pending
Rigid truck	143367	1,787	1,787	18/10/2019	84	80
Rigid truck	143546	1,769	1,769	18/10/2019	84	80
Truck 773G	141252	1,746	1,746	18/07/2019	84	77
CAI 988H	136006	1,630	11,630	18/02/2019	84	72
CAI D9T	133409	1,488	1,488	18/01/2019	84	71
CAI 773	128053	1,488	1,511	18/10/2018	84	68
CAI 773	128226	1,437	1,471	18/09/2018	84	67
Articulated trucks	144532	1,416	1,416	18/11/2019	84	81
CAI 730	124854	1,264	1,308	18/08/2018	84	66
Front-end loader	142165	989	989	18/10/2019	84	80
Loader 928H	142885	775	388	18/09/2019	84	79
Silo	127134	763	763	18/04/2019	84	74
CAT966H	133705	741	741	18/02/2019	84	72
Excavator	141393	494	494	18/08/2019	84	78
Front-end loader	144521	436	436	18/11/2019	84	81
Scale	133047	186	186	18/08/2019	84	78
Lift	139982	66	66	18/07/2019	84	77

In 2012, the Company reviewed the operating lease arrangements 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) Goodwill is the greater amount paid above the book value for the shares of Cemento Panamá S.A., whose intrinsic value in pesos was \$218,190 per share and is amortized using the straight line method over 5 years.
- (5) Deferred charges at December 31st were mainly comprised of:

	2012	2011
Technology projects & others (1)	77,313	47,349
Debit deferred income tax (2)	10,653	29,015
Software	12,188	9,253
Research surveys	6,020	236
	106,174	85,853

- (1) It includes costs related to placement of 2007 and 2009 bonds for \$11,616, ongoing technology projects for \$53,191, and software licenses for \$3,632. The increase is primarily related to costs incurred in the Synergy project for \$47,670 (2011 \$18,716) and the Tulane project for \$170 (2011 556).
- (2) It includes deferred taxes arising from temporary differences, primarily related to accounts payable of swaps and forward arrangements and estimated liabilities for contingencies. The reduction is because the balances of these operations decreased at the end of 2002.

Amortization of intangible and deferred assets posted to results in 2012 totaled \$43,084 (2011 \$40,079).

NOTE 10 – VALUATION OF ASSETS

Asset valuations as of December 31 included the following:

	2012	2011
Difference between market or intrinsic value of investments and book value (See Note 9)	1,665,983	4,527,780
Difference between technical appraisals of property, plant and equipment and book value (See Note 8)	1,356,382	3,940,894
Other assets – works of art	412	2,075
Valuation surplus	3,022,777	8,470,749

In 2011, the firm Activos e Inventarios y Cía Ltda. took an inventory of the fixed assets of Cementos Argos S.A. at the various industrial, commercial and administrative units throughout the national territory. The valuation methodology used by Activos e Inventarios y Cía Ltda. is based on the assumption of an ongoing concern using the comparative method, the method of capitalization of income and the cost method, as appropriate. In summary, the valuation was based on the application of the “fair value” principle, by 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 also includes in the cost of the equipment expenses related to 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).

The appraisals are updated at least every three years.

The effect of the spin-off on valuations was \$5,444,890, as follows: Investments \$2,965,966, property, plant and equipment \$2,477,266 and other assets \$1,658.

NOTE 11 – FINANCIAL LIABILITIES

Financial liabilities as of December 31st were comprised of:

	Average rate in 2012	2012	2011
Overdrafts	12.6%	2,160	2,741
Loans from domestic banks (1)	*	506,573	968,065
Loans from foreign banks (2)	**	175,819	625,024
Other liabilities		17,649	96
Total financial liabilities		702,201	1,595,926
Minus: non-current portion		(264,640)	(553,263)
Short-term liabilities		437,561	1,042,663

* Financial liabilities with domestic banks have interest rates tied to DTF and CPI, and interest rates in dollars are tied to Libor. See the average cost by type of currency at the end of Note 12.

** Financial liabilities with foreign banks have interest rates tied to Libor. See average costs by type of currency at the end of Note 12.

(1) The following are the main financial liabilities from domestic banks:

Institution	Description	2012	2011	Original currency	Maturity
Bancolombia S.A.	Long-term loan	100,000	300,000	Peso	16-Sep-20
Banco Popular S.A.	Long-term loan	60,000	60,000	Peso	14-May-13
Banco de Bogotá S.A.	Long-term loan	35,365	-	Dollar	31-Jan-13
Bancolombia S.A.	Working capital loan	31,828	-	Dollar	25-Apr-13
Bancolombia S.A.	Working capital loan	54,815	-	Dollar	26-Apr-13
Bancolombia S.A.	Working capital loan	28,292	-	Dollar	30-Apr-13
Banco de Bogotá S.A.	Working capital loan	107,862	-	Dollar	30-Jan-13
BBVA S.A.	Working capital loan	26,523	-	Dollar	29-Apr-13
BBVA S.A.	Working capital loan	61,888	-	Dollar	29-Apr-13
Banco de Bogotá S.A.	Working capital loan	-	19,427	Dollar	03-Feb-12
Banco de Bogotá S.A.	Working capital loan	-	19,427	Dollar	03-Feb-12
Davivienda S.A.	Working capital loan	-	48,568	Dollar	08-Mar-12
Banco de Bogotá S.A.	Working capital loan	-	38,854	Dollar	08-Mar-12
BBVA S.A.	Working capital loan	-	31,083	Dollar	13-Mar-12
Davivienda S.A.	Working capital loan	-	38,853	Dollar	21-Mar-12
Bancolombia S.A.	Working capital loan	-	25,255	Dollar	25-Mar-12
Banco de Bogotá S.A.	Working capital loan	-	33,026	Dollar	27-Mar-12
Bancolombia S.A.	Working capital loan	-	135,989	Dollar	19-Apr-12
Davivienda S.A.	Working capital loan	-	77,708	Dollar	27-Apr-12
BBVA S.A.	Working capital loan	-	91,307	Dollar	03-Jun-12
Bancolombia S.A.	Working capital loan	-	48,568	Dollar	13-Jul-12
		506,573	968,065		

(2) Financial obligations with foreign banks:

Entidad	Concepto	2012	2011	Moneda	Vencimiento
Citibank PLC London	ECA Loan	175,819	222,885	Dollar	26-Jun-19
Citibank NA	Short-term	-	40,797	Dollar	19-Jul-12
HSBC USA NA	Short-term	-	361,342	Dollar	30-Jul-12
Total		175,819	625,024		

The financial liabilities at December 31, 2012 accrued interest in the amount of \$41,705 (2011 \$48,005).

At the closing of 2012, forward currency buy transactions were in place to synthetically convert loans denominated in dollars into pesos, as explained in note 13.

The long-term loan with Citibank PLC, backed by EKF Denmark, for an initial amount of USD\$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:

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

Long term financial liabilities outstanding at December 31, 2012 mature as follows:

Year	Amount at maturity
2014	29.987
2015	29.989
2016	29.993
2017	29.998
2018 and subsequent years	144.673
	264.640

NOTE 12 – BONDS OUTSTANDING

	2012	2011
Total bonds outstanding	2,015,998	1,240,000
Minus discount to be amortized	(8,210)	(9,852)
	2,007,788	1,230,148
Short term	(77,200)	(224,002)
Long term	1,930,588	1,006,146

Bonds outstanding issued on November 23, 2005 were comprised of the following as of December 31, 2012:

Term	Amounts issued	Effective int. rate	Interest payment terms
10 years	80,000	CPI+2.88%	Semester in arrears
12 years	290,000	CPI+3.17%	Semester in arrears
12 years	150,000	CPI+5.25%	Semester in arrears
	\$520,000		

Outstanding bonds issued on April 28, 2009, were comprised of the following as of December 31, 2012:

Term	Amounts issued	Effective int. rate	Interest payment terms
5 years	81,175	9.70% E.A.	Annually in arrears
7 years	114,943	CPI + 6.00%	Quarterly in arrears
10 years	70,350	CPI + 6.30%	Quarterly in arrears
15 years	229,530	CPI + 7.19%	Quarterly in arrears
	\$495,998		

Bonds outstanding issued on April 11, 2012 were comprised of the following as of December 31, 2012:

Term	Amounts issued	Effective int. rate	Interest payment terms
1.5 years	77,200	IBR+1.45%	Monthly in arrears
2 years	111,400	DTF+1.347%	Quarterly in arrears
2 years	111,400	DTF+1.45%	Quarterly in arrears
	\$300,000		

Bonds outstanding issued on May 16, 2012 were comprised of the following as of December 31, 2012:

Term	Amounts issued	Effective int. rate	Interest payment terms
6 years	97,022	CPI+3.80%	Quarterly in arrears
10 years	299,895	CPI+4.24%	Quarterly in arrears
15 years	303,082	CPI+4.50%	Quarterly in arrears
	\$700,000		

All issues are rated AA+ by Fitch Ratings Colombia S.A. The bonds are payable-to-order securities tradable in the secondary market.

Of the issue maturing in 2017, 12-year Argos 2005 bonds for \$440,000, a total of \$433,320 was converted to US dollars (equivalent to US\$240,000,000) through a currency swap at an average rate of Libor + 1.78% semester in arrears. See note 5 of this report.

The February 23, 2007 bond issue for \$132,211 gave rise to a placement discount of \$17,788, which is amortized over 12 years using the straight line method.

At the end of 2012 there were no outstanding issues of commercial paper.

In 2012, interests accrued in the amount of \$141,213 (2011 \$105,005) on ordinary bonds and commercial paper that matured during the year.

The following was the overall cost of the financial liabilities, including Argos bonds, commercial paper, financial derivatives and loans during 2012:

- Average cost of financial liabilities in Colombian pesos: 7.74% E.A. (2011 6.68% E.A.)
- Average cost of financial liabilities in US dollars: 2.28% E.A. (2011 1.99% E.A.)

NOTE 13–SUPPLIERS AND ACCOUNTS PAYABLE

Suppliers and accounts payable at December 31 were comprised of:

	2012	2011
Domestic suppliers	24,566	34,071
Foreign suppliers USD\$1,734,986 (2011 USD\$3,253,664)	3,068	6,321
Sundry creditors (1)	121,431	172,807
Related parties (See note 24)	205,980	165,609
Costs and expenses payable	87,844	70,885
Dividends payable	46,208	43,591
Tax withholdings payable	8,628	10,826
Payroll withholdings and contributions	5,526	5,291
Accounts payable to contractors	3,008	2,613
Other	4,470	8,547
Total suppliers and accounts payable	510,729	520,561
Minus - Long-term portion	(75,857)	(111,122)
Short-term suppliers and accounts payable	434,872	409,439

- 1) It mainly reflects the valuation of derivative transactions for \$20,277 (2011 \$33,902) and the balance payable for \$101,143 arising from the acquisition of Cementos La Unión S.A. and Cementos Apolo S.A. under the following conditions:

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

Maturity: August 2016

Interest rate: 5% E.A. payable quarterly in arrears

Amortization: 10 annual installments

In 2012, interests accrued for US\$3,169,477 (2011 US\$3,932,917). In 2012 payments against principal were made for US\$14,300,000. A currency swap was arranged on this account payable.

The following are the financial derivative transactions that created a positive value in favor of the counterparty (Bank) at the end of 2012:

Swap arrangements

Underlying	Underlying amount (\$COP or US\$)	Underlying rate	Swap amount \$ COP or USD\$	Swap rate	Maturity
Account payable	USD\$ 57,200,000	4.90% PA	\$109,246	CPI + 5.35%	08-Aug-16

Put forward arrangements

Underlying	Underlying amount	Forward amount	Rate	Maturity
Financial liability - principal and interest	20,164,501	20,164,501	\$ 1,832.79	30-Jan-13
Financial liability - principal and interest	20,096,950	20,096,950	\$ 1,835.66	29-Jan-13
Financial liability - principal and interest	20,000,000	20,000,000	\$ 1,834.03	29-Jan-13
Financial liability - principal and interest	21,000,000	21,000,000	\$ 1,837.50	29-Jan-13
Financial liability - interest	22,149	22,149	\$ 1,831.83	11-Jan-13
Financial liability - interest	22,149	22,149	\$ 1,838.50	12-Feb-13
Financial liability - interest	20,006	20,006	\$ 1,844.57	12-Mar-13
Financial liability - interest	22,149	22,149	\$ 1,850.82	12-Apr-13
Financial liability - principal and interest	18,008,574	18,008,574	\$ 1,850.71	24-Apr-13
Financial liability - interest	77,688	77,688	\$ 1,830.17	10-Jan-13
Financial liability - interest	75,141	75,141	\$ 1,841.96	12-Mar-13
Financial liability - principal and interest	31,054,764	31,054,764	\$ 1,849.49	24-Apr-13
Financial liability - interest	40,043	40,043	\$ 1,833.57	11-Jan-13
Financial liability - interest	38,730	38,730	\$ 1,846.26	13-Mar-13
Financial liability - principal and interest	16,030,196	16,030,196	\$ 1,854.17	26-Apr-13
Financial liability - principal and interest	35,221,021	31,054,764	\$ 1,851.24	26-Apr-13

NOTE 14—TAXES, CONTRIBUTIONS AND LEVIES

The balance of taxes, contributions and levies as of December 31st was comprised of:

	2012	2011
Income tax	4,541	14,512
Sales tax	31,975	31,449
Industry and commerce tax	13,239	12,541
Tax on equity	51,940	77,910
	101,695	136,412
Minus – Short term portion	(75,725)	(84,472)
Long term portion (1)	25,970	51,940

1) It relates to tax on equity installments due in 2014.

Income tax:

Tax provisions applicable to the Company state that:

- 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.
- 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 (presumptive tax).

- c) Companies may offset tax losses adjusted according to tax rules 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 taxable income.

As of December 31, 2012, the Company does not have any tax losses to offset.

- d) 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.

In all cases, excesses in presumptive taxable income above ordinary taxable income were adjusted for inflation. Starting in 2007 excess presumptive taxable income above ordinary taxable income is readjusted according to tax rules.

As of December 31, 2012 the Company does not have any excess presumptive taxable income to offset.

- e) 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.

To date, the company has not yet completed the study on transactions performed in 2012. However, given that the transactions performed with related parties abroad in 2012 were similar to those performed in 2011, management believes that there will be no effects on the current year's income tax return.

Below are the reconciliations between pre-tax income and tax losses, tax calculations and reconciliation of book and tax shareholders' equity for the years ended on December 31 2012 and 2011.

a. Reconciliation of accounting profits and taxable income

	2012	2011
Taxable income		
Pre-tax income	404,176	396,230
Plus:		
Taxable dividends received from subsidiaries	-	117,073
Profit in sale of fixed assets and investments	6	-
Recovery of deferred depreciation	-	2,010
Other revenues	71,193	195,442
Non-deductible taxes	18	-
Losses recorded by the participation method	136,888	279,853
Other non-deductible expenses	117,993	309,026
	730,274	1,299,634
Minus:		
Income recorded by the participation method	155,919	92,708
Non-taxable dividends and participations received	43,188	78,765
Profit in sale of fixed assets and investments	231,582	635,003
Other non-taxable and deductibles	588,591	162,823
	1,019,280	969,299
Ordinary taxable income	(289,006)	330,335
Offsetting items	-	325,317
Ordinary taxable income	(289,006)	5,018
Presumptive tax on shareholders' equity	71,379	55,732
Taxable income (whichever is greater)	71,379	55,732
Tax rate	33%	33%
Income tax	23,555	18,392
Capital gains		
Profit in sale of fixed assets	38	2,263
Taxable capital gains	38	2,263
Tax rate	33%	33%
Capital gains tax	13	747
Income tax provision	23,555	19,139
Plus (minus): deferred taxes	(6,998)	7,117
Income tax provision posted to results	16,557	26,256

b. Reconciliation of the book and tax values of shareholders' equity

Book shareholders' equity	5,715,291	11,666,435
Plus:		
Provisions for protection of inventories, fixed assets and investments	81,432	139,347
Tax differences on properties, plant and equipment	212,248	369,893
Tax differences on permanent investments	-	(203,069)
Non-tax liabilities	26,369	63,218
Credit deferred depreciation	1,249	-
Minus:		
Valuations of investments and properties, plant and equipment	3,022,777	8,470,749
Tax liabilities	27,191	-
Shareholders' equity for tax purposes	2,986,621	3,565,075

The tax returns for fiscal years 2007, 2008, 2009, 2010 and 2011 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 said years.

TAX ON EQUITY

This tax was calculated by the Company at \$103,879, based on shareholders' equity recorded in the books as of January 1, 2011, at a rate of 4.8% plus a surcharge of 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 100% of the equity tax and the tax surcharge to the shareholders' equity revaluation account.

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 on gross income minus non-taxable income, costs, deductions, exempt income and capital gains, at a rate of 8%. For fiscal years 2013, 2014 and 2015 the applicable rate shall be 9%.

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

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 said 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 are required to submit in magnetic media to the National Tax and Customs Authority their consolidated financial statements, including attachments.

NOTE 15–LABOR LIABILITIES

Labor liabilities as of December 31 comprised:

	2012	2011
Salaries payable	205	574
Accrued severance pay	4,787	4,412
Interest on severance payments	564	522
Accrued vacation	6,747	6,689
Mandatory bonuses	7,199	5,971
Retirement pensions	256,070	253,365
	275,572	271,533
Minus—Long term portion	(255,627)	(253,365)
Short-term labor liabilities	19,945	18,168

According to Colombian labor law, employers are required to pay retirement pensions or to issue pension certificates to employees who fulfill certain requirements regarding age and time of service. The Social Security Institute (ISS by its acronym in Spanish) and the pension funds have taken on most of these liabilities.

The following were the main factors used in the actuarial estimations for the years ended December 31st:

	2012	2011
Number of persons	1,650	1,607
Interest rate	4.80%	4.80%
Future pension increase	3.26%	4.53%

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 Financial Superintendence).
- (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).

Actuarial calculations were performed using the method of fractioned annuities in arrears, as prescribed in article 112 of the Tax Statute and regulations contained in decree 2783 of December 20, 2001 in connection with tax aspects.

The charges to results arising from the amortization of pension liabilities and payments in 2012 totaled \$28,181 (2011 \$52,890). The reduction is because it was 100% amortized in 2011.

The following is the breakdown of pension liabilities:

	2012	2011
Actuarial calculation	222,539	216,005
Plus: Pension entitlements	29,484	33,985
Pension certificates	3,604	3,376
Pensions payable	443	-
	256,070	253,366

The increase in liabilities is primarily the result of updated actuarial estimations as of December of 2012, mainly due to the inclusion of certain pensioners from Industrial Hullera S.A. en Liquidación, as a result of a pension liability normalization process whereby Cementos Argos S.A. will definitively take on the proportion of the obligation indicated in Memorandum dated October 9, 2012, issued by the Labor Ministry.

NOTE 16 – ESTIMATED LIABILITIES

Estimated liabilities as of December 31st were recognized at cost and included:

	2012	2011
Costs and expenses (1)	21,956	25,217
For contingencies (2)	33,424	23,189
Sundry provisions (3)	21,545	11,150
	76,935	59,558

- (1) It mainly relates to provisions on goods and/or services received and not yet billed by suppliers.
- (2) It includes contingencies for labor lawsuits \$21,736 (2011 - \$16,846), administrative contingencies \$4,423 (2011 - \$4,601) and other contingencies \$1,742 (2011 - \$1,742).
- (3) In 2012 it mainly relates to a provision for forestry compensation for \$14,592 derived from raw materials quarrying operations to make up for environmental liabilities from previous years, and a balance pending for the purchase of the availability right with Acerías Paz del Río S.A. for \$2,652 (2011 \$5,828), equivalent to USD\$1,500,000 (2011 USD\$3,000,000).

NOTE 17 - SHAREHOLDERS' EQUITY

Shareholders' equity as of December 31 comprised the following:

CORPORATE CAPITAL

Authorized capital comprises 1,500,000,000 shares with par value of \$6 Colombian pesos each, and subscribed and paid-in capital is made up of 1,215,247,885 shares. Re-acquired own shares total 63,575,575 and, consequently, the outstanding shares at December 31, 2012 and 2011 are 1,151,672,310.

	2012	2011
Authorized capital: 1,500,000,000 common shares with par value of \$6	9,000	9,000
Subscribed and paid-in capital 1,215,247,885 common shares	7,291	7,291

DECLARED DIVIDENDS

The General Assembly of Shareholders of March 23, 2012, declared a cash dividend of \$140.00 pesos per year per share, payable in four quarterly installments of \$35.00 pesos per share starting in April, 2012 and until January, 2013. In 2011, said corporate body declared a cash dividend of \$132.00 pesos per year, payable in four quarterly installments of \$33.00 pesos per share starting in April of 2011 and ending in January of 2012.

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 is equivalent to 50% of subscribed capital. As of December 31, 2012, the amount in the reserve totals \$13,845 (2011 \$23,163). The reduction is due to the spin-off to Grupo Argos S.A.

Currently said reserve is \$10,201 above the legal requirement. The reserve cannot be distributed before winding down of the Company, but it should be used to absorb or reduce net annual losses. Appropriations made on amounts above the 50% threshold are freely available to the General Assembly of Shareholders.

RESERVE FOR REACQUISITION OF SHARES AND OWN REACQUIRED SHARES

	2012	2011
Reserve for reacquisition of shares	113,797	113,797
Minus–reacquired own shares	(113,797)	(113,797)

Pursuant to the Code of Commerce this reserve on reacquired own shares is only distributable to shareholders upon a new sale thereof. As long as the shares are owned by the Company the rights attached to them remain suspended.

OTHER RESERVES

On March 23, 2012 the General Assembly of Shareholders authorized the release of the non- taxable reserves for future expansion in the amount of \$51,324. It also decided to appropriate \$259,974 to the reserve for future expansion and investments.

All other reserves are freely available to the shareholders.

SHAREHOLDERS' EQUITY REVALUATION

Pursuant to legal regulations in force until 2006, equity revaluation reflects the effect that the loss of purchasing power has on equity (inflation adjustments).

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 be 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 tax on equity against the shareholders' equity revaluation account without affecting period results. The Company used this option in recording the tax on equity for the periods 2011 to 2014 in the amount of \$103,879.

The effect of the spin-off to Grupo Argos S.A. was a \$145,358 reduction.

NOTE 18 – MEMORANDUM ACCOUNTS

Memorandum accounts at December 31st were comprised of:

	2012	2011
Debit memorandum accounts		
Tax debit accounts (1)	9,455,971	9,716,557
Fully depreciated assets	762,309	702,271
Assets and securities given in custody (2)	339,870	601,696
Assets and securities delivered as collateral (3)	270,444	984,149
Assets under financial leasing (4)	171,610	172,932
Capitalization of shareholders' equity revaluation	55,391	55,391
Other debit control accounts	40,662	32,692
Lawsuits and/or legal claims	8,298	8,298
Unused credits lines (5)	2,090	3,941
	11,106,645	12,277,927
Credit memorandum accounts		
Assets and securities received from third parties	(505)	(329)
Promises to enter into purchase-sale agreements	(2,782)	(2,782)
Litigation and/or lawsuits (6)	(16,951)	(10,008)
Other contingent liabilities	(40,250)	(43,853)
Assets and securities received as collateral	(42,444)	(39,499)
Tax credit accounts (7)	(9,719,774)	(9,715,759)
	(9,822,706)	(9,812,230)
Total Memorandum Accounts	1,283,939	2,465,697

- 1) It relates to differences between the book and tax values of assets, liabilities and revenues, and the largest difference is in shareholders' equity in the amount of \$8,965,160 in 2012 (2011\$8,965,160).
- 2) It relates to shares of Bancolombia S.A. for \$324,546 and Cartón de Colombia S.A. for \$13,824.
- 3) In 2012 it mainly relates to 5,200,000 shares of Grupo de Inversiones Suramericana S.A. delivered as collateral for \$197,600. In 2011 it mainly relates to shares delivered as collateral for financial obligations involving 16,600,000 shares of Grupo de Inversiones Suramericana S.A. and 8,118,054 shares of Grupo Nutresa S.A.

- 4) It mainly relates to a 12-year leasing arrangement of infrastructure through Leasing Bancolombia.
- 5) The reduction is mainly due to the use of standby credit lines available from Citibank N.A.
- 6) The increase is primarily the result of updating labor and administrative proceedings.
- 7) It represents the tax and accounting differences of:

	2012	2011
Valuations	8,744,320	8,744,320
Other items	975,454	971,439
	9,719,774	9,715,759

NOTE 19 – OPERATING REVENUES

Operating revenues to December 31 comprised the following:

	2012	2011
Domestic sales	1,702,620	1,467,983
International sales	16,421	35,754
Sales of urban development plots	-	53,950
Other operating sales	49,289	44,783
	1,768,330	1,602,470

The Company's operating revenues are primarily derived from domestic sales and exports of cement and clinker.

The reduction in the sale of urban development plots is due to the spin-off of the entire real estate business to the parent company Grupo Argos S.A.

Other operating revenues include sales of slag and limestone, which are considered by-products of the production process.

NOTE 20 – ADMINISTRATION EXPENSES

At December 31 administration expenses were comprised of:

	2012	2011
Personnel expenses (1)	95,578	78,615
Services (2)	31,194	27,964
Depreciation and amortization	17,276	18,124
Professional fees (3)	16,725	13,332
Maintenance and repairs	8,431	6,236
Travel expenses	7,592	6,977
Insurance	6,759	4,732
Rental fees	5,251	5,861
Legal expenses	1,576	3,311
Contributions and affiliations	1,460	2,036
Sundry (4)	5,939	590
	197,781	167,778

(1) The change is primarily due to payment of performance-based bonuses to managers.

(2) It mainly comprises:

	2012	2011
Technical assistance	13,777	12,546
Cleaning and security	3,805	2,640
Transportation	2,995	5,691
Services to third parties	2,026	1,874
Public utilities	1,928	2,006
Satellite communications	1,589	1,566
Advertising	1,062	583

(3) The change is primarily the result of an increase in technical consulting fees for \$4,452.

(4) It is primarily related to sundry expenses such as sponsorships and public relations for \$3,004, restaurant and employee cafeteria for \$1,218, representation and entertainment expenses for \$1,079 and taxes for \$1,039.

NOTE 21 – SALES EXPENSES

At December 31 sales expenses were comprised of:

	2012	2011
Personnel expenses (1)	20,566	19,163
Services (2)	20,244	12,257
Taxes (3)	13,045	11,426
Depreciation and amortization (4)	7,246	8,414
Travel expenses	2,642	2,208
Provisions	1,961	2,024
Rental fees	1,718	1,587
Professional fees	1,446	1,212
Sundry	1,382	843
Contributions and affiliations	1,196	492
Insurance	228	606
Maintenance and repair	54	43
	71,728	60,275

(1) It mainly relates to payments of integral salaries for \$5,746 (2011 \$5,910), regular salaries for \$5,514 (2011 \$5,830), payroll taxes for \$4,323 (2011 \$4,208) and training for \$1,043 (2011 \$754), among others.

(2) It includes cleaning and security services for \$1,287 (2011 \$1,230), advertising and publicity for \$5,495 (2011 \$2,383), mail, courier services and telegrams for \$1,062 (2011 \$759), telephone service for \$1,047 (2011 \$1,108), technical assistance for \$649 (2011 \$1,455), organization of events for \$7,908 (2011 \$4,077), among others.

(3) It relates to payment of industry and commerce tax (local sales tax) for \$12,818 (2011 \$10,435) and other taxes for \$227 (2011 \$979).

(4) It primarily includes the amortization of intangible assets for \$6,121 (2011 \$6,316), deferred charges for \$552 (2011 \$474); depreciation of machinery and equipment for \$573 (2011 \$1,344).

NOTE 22 – OTHER REVENUES

Other revenues at December 31 were comprised of:

	2012	2011
Gain in sale of investments (1)	231,368	635,003
Recoveries (2)	43,496	19,808
Dividends and participations (3)	35,417	70,224
Professional fees (4)	9,239	11,020
Indemnifications (5)	5,064	4,296
Sales of raw materials (6)	4,155	4,153
Rental fees	1,388	1,370
Services	868	1,647
Profit in the sale of properties, plant and equipment	214	6,812
Sundry (7)	9,386	12,746
	340,595	767,079

- (1) In 2012 it relates to the profit on the sale of 9.291,880 shares of Bancolombia S.A. for \$231,368 (In 2011 it relates to the sale of shares in Cartón Colombia S.A. \$3,961, Grupo de Inversiones Suramericana S.A. \$607,290, Bancolombia S.A. \$23,752).
- (2) The increase compared to 2011 is primarily the result of the recovery of investment provisions of Argos USA for \$33,198 and payment of the account payable of Corporación de Cemento Andino C.A. for \$1,929, among others.
- (3) It primarily relates to dividends received from the investments in Bancolombia S.A. for \$18,808 (2011 \$27,316), Grupo Suramericana SA for \$13,993 (2011 \$33,231), and Grupo Nutresa SA for \$1,496 (2011 \$8,531). The reduction is the result of the transfer of shares to Grupo Argos SA.
- (4) It primarily includes fees for technical assistance to Grupo Argos SA for \$2,260 (2011 \$4,652), Zona Franca Argos SAS for \$1,165 (2011 \$1,839), Cementos Colón SA for \$1,794 (2011 \$1,848), Cimenterie Nationale S.E.M. (CINA) for \$1,794 (2011 \$1,233), among others.
- (5) It primarily relates to an indemnity received for lost profits in the amount of \$3,970 (2011 \$1,629), from damages to the power plant in Sogamoso and other insured events for \$758 (2011 \$424), among others.
- (6) It primarily relates to sales of gas for \$3,461 and coal for \$589 to Zona Franca Argos SAS.
- (7) It primarily comprises the dividends assigned by Colcaribe Holding SA for \$6,574 (2011 \$6,413), sales of sundry and scrap materials for \$1,263 (2011 \$1,864) and exploitations for \$1,214 (2011 \$2,024).

NOTE 23 – OTHER EXPENSES

At December 31 other expenses were comprised of:

	2012	2011
Retirement pensions paid and amortization of actuarial calculations (1)	23,435	49,650
Costs and expenses from prior periods (2)	18,729	3,196
Third party taxes taken on (3)	13,972	11,007
Labor lawsuits	13,610	9,679
Grants (4)	9,862	4,841
Provision on permanent investments (5)	9,198	55,760
Cost of non-operating assets	7,541	14,356
Disposal of plant, property and equipment	4,896	16,803
Interest on bonds and pension certificates	4,746	3,240
Amortization of non-operating assets (6)	4,538	106,639
Cost of materials sold	4,146	4,153
Cost of other sales	3,764	7,893
Expenses of affiliated companies	2,400	249
Provision for Industrial Hullera	2,339	3,001
Indemnifications	1,882	4,737
Fines, penalties and litigation	1,693	1,033
Sundry other expenses (7)	7,201	12,753
	133,952	308,990

- (1) It mainly relates to payment of retirement pensions for \$19,549 (2011 \$19,962), pension subsidies for \$3,348 (2011 \$3,163) and amortization of actuarial calculations for \$538 (2011 \$26,794).
- (2) It includes a provision for forestry compensation for \$14,592, derived from obligations of raw material quarrying operations to make up for environmental liabilities from prior years.
- (3) It mainly includes the tax on financial transactions for \$13,313 (2011- \$9,779).
- (4) Donation of cement for infrastructure works for \$5,159.
- (5) In 2012 it primarily relates to provisions on investment of Valle Cement Investment Ltd for \$5,113, Ganadería Río Grande S.A.S. for \$3,286, Cementos Panamá S.A. for \$473, Haiti Cement Holding for \$322. In 2011 it mainly relates to provisions on investments in Argos USA Corp. for \$35,323, Carbones del Caribe S.A.S. for \$12,922, Cementos Panamá S.A. for \$3,305, Point Corp. for \$312.
- (6) In 2011 it relates to amortization of goodwill of Cementos Panamá S.A.
- (7) It mainly includes payments of the cooperation agreement with Fundación Argos to carry out social projects in communities in areas of influence for \$6,037 (2011 \$4,668).

NOTE 24 – TRANSACTIONS WITH RELATED PARTIES

The following are the balances of assets and liabilities with related parties as of December 31, 2012 and 2011:

Company	ACCOUNTS RECEIVABLE 2012		Total
	Operational	Loans	
Argos USA Corp	8,505	616,214	624,719
Concretos Argos S.A.	35,831	3,348	39,179
Cement and Mining Engineering	3,127	23,353	26,480
Corporaciones e Inversiones del Mar Caribe S.A.S.	17,119	-	17,119
C.I. Del Mar Caribe BVI	1,123	10,094	11,217
Zona Franca Argos S.A.S.	10,752	-	10,752
Ganadería Riogrande S.A.S.	411	2,920	3,331
Grupo Argos S.A. (formerly Inversiones Argos S.A.)	2,603	-	2,603
Southern Star Concrete, Inc	-	1,787	1,787
Southern Equipment Company, Inc	-	1,787	1,787
Vensur N.V.	1,279	-	1,279
Carbones del Caribe SAS	1,170	-	1,170
Urbanizadora Villa Santos SAS	1,145	-	1,145
Cemento Panamá S.A.	663	-	663
Cimenterie Nationale S.E.M.	570	-	570
Cementos Colón S.A.	357	-	357
Canteras de Colombia S.A.S.	163	-	163
Transportes Alfa Ltda	-	91	91
Celsia S.A. ESE (Colinversiones)	19	-	19
Reforestadora del Caribe S.A.S.	16	-	16
Logística de Transportes S.A.	10	-	10
Talestris Colombia SAS.	-	9	9
Fucol S.A.	3	-	3
	84,866	659,603	744,469

Company	ACCOUNTS RECEIVABLE 2011		Total
	Operational	Loans	
Argos USA Corp.	-	697,192	697,192
Urbanizadora Villa Santos S.A.S.	33,767	-	33,767
Concretos Argos SA	30,585	2,010	32,595
Cement and Mining Engineering Inc.	-	25,354	25,354
Corporaciones e Inversiones del Mar Caribe SAS.	17,009	-	17,009
Grupo Argos S.A.	8,640	-	8,640
Sociedad Portuaria de Cementeras Asociadas S.A.	346	7,920	8,266
Sociedad Portuaria Golfo de Morrosquillo S.A.	1,451	5,749	7,200
Cemento Panamá S.A.	5,914	-	5,914
Zona Franca Argos SAS.	4,850	-	4,850
Ganadería Río Grande S.A.S.	385	4,421	4,806
South Central Cement Ltd.	2,695	-	2,695
Cl. del Mar Caribe BVI Inc.	1,308	-	1,308
Cementos Colón S.A.	414	-	414
Carbones del Caribe S.A.S.	311	-	311
Logística de Transportes S.A.	271	-	271
Cimenterie Nationale S.E.M. (CINA)	173	-	173
Canteras de Colombia SAS.	163	-	163
Other lesser amounts	66	-	66
	108,348	742,646	850,994

Company	ACCOUNTS PAYABLE 2012		
	Operational	Loans	Total
Concretos Argos S.A.	112,817	-	112,817
Zona Franca Argos S.A.S.	9,159	31,017	40,176
Logística de Transportes S.A.	34,464	-	34,464
Cementos de Caldas S.A.	5,149	900	6,049
Grupo Argos S.A. (antes Inversiones Argos S.A.)	4,352	-	4,352
Transatlantic Cement Carriers Inc	3,916	-	3,916
Reforestadora del Caribe S.A.S.	1,014	385	1,399
Carbones del Caribe S.A.S.	1,350	-	1,350
Transportes Elman Ltda En Liquidación	515	-	515
Valle Cement Investments	511	-	511
Other lesser amounts	431	-	431
	173,678	32,302	205,980

Company	ACCOUNTS PAYABLE 2011		
	Operational	Loans	Total
Concretos Argos S.A.	95,767	-	95,767
Zona Franca Argos S.A.S.	32,077	-	32,077
Logística de Transportes S.A.	24,230	-	24,230
Cementos de Caldas S.A.	5,110	1,040	6,150
Corporación de Cemento Andino C.A.	1,931	-	1,931
Transatlantic Cement Carriers Inc.	1,719	-	1,719
Urbanizadora Villa Santos S.A.S.	1,693	-	1,693
Valle Cement Investment Ltda.	561	-	561
Carbones del Caribe S.A.S.	434	-	434
Sociedad Portuaria Golfo de Morrosquillo SA	390	-	390
Distribuidora Col. De Cementos Ltda. En Liquidación	255	-	255
Argos USA Corp.	199	-	199
Ganadería Río Grande S.A.S.	77	-	77
Other lesser amounts	115	11	126
	164,558	1,051	165,609

Rates on dollar-denominated loans range from 2.34% and 4% E.A.

Rates on peso-denominated loans are 4.98% E.A.

2. Revenues for the period from January 1 to December 31 of 2012 and 2011;

2012

Company	Sales	Services	Fees	Sundry	Total revenues
Concretos Argos S.A.	236,049	-	-	-	236,049
Zona Franca Argos S.A.S.	42,806	-	1,165	1,095	45,066
Grupo Argos S.A.	-	72	2,260	-	2,332
Cl. del Mar Caribe BVI Inc.	1,856	-	-	225	2,081
South Central Cement Ltd.	639	-	-	-	639
Compañía de puertos asociados S.A.	87	-	-	285	372
Corporaciones e Inversiones del Mar Caribe S.A.S.	-	-	-	472	472
Ganadería Río Grande S.A.S.	-	-	-	199	199
Cemento Panamá S.A.	164	-	-	-	164
Logística de Transportes S.A.	95	-	-	44	139
Cementos Colón S.A.	135	-	-	-	135
Carbones del Caribe S.A.S.	-	-	-	60	60
Celsia S.A. ESP-	22	-	-	22	
Reforestadora del Caribe S.A.S.	6	-	-	-	6
Urbanizadora Villasantos S.A.S.	-	-	-	1	1

2011

Company	Sales	Services	Fees	Sundry	Total revenues
Concretos Argos S.A.	206,122	60	-	-	206,182
Zona Franca Argos SAS.	41,053	-	1,839	1,003	43,895
Argos USA Corp.	-	-	-	18,094	18,094
Cl. del Mar Caribe BVI Inc.	11,340	-	-	-	11,340
Colcaribe Holding S.A.	-	-	-	6,413	6,413
Grupo Argos S.A.	-	21	4,652	141	4,814
Cementos Colón S.A.	1,086	-	1,848	-	2,934
Cemento Panama S.A.	1,151	-	1,324	15	2,490
Haiti Cement Holding S.A.	-	-	-	1,812	1,812
Cimenterie Nationale S.E.M. (CINA)	-	-	1,233	-	1,233
South Central Cement Ltd.	1,012	-	-	-	1,012
Cement and Mining Engineering Inc.	-	-	-	852	852
Corporaciones e Inversiones del Mar Caribe S.A.S.	-	-	-	656	656
Sociedad Portuaria Golfo de Morrosquillo S.A.	-	-	-	405	405
Sociedad Portuaria de Cementeras Asociadas	-	-	-	348	348
Logística de Transportes S.A.	177	-	-	48	225
Southern Star Concrete	-	-	-	168	168
Carbones del Caribe SAS.	-	-	-	130	130
Southern Equipment CO	-	-	-	105	105
Ganadería Río Grande S.A.S.	-	-	-	95	95
Reforestadora del Caribe SAS.	-	62	-	17	79
Urbanizadora Villa Santos SAS.	-	-	-	30	30
Vensur N.V.	25	-	-	25	
Canteras de Colombia SAS.	5	-	-	-	5

3. Outlays for the period from January 1 to December 31 of 2012 and 2011;

2012

Company	Sales	Services	Fees	Sundry	Total outlays
Concretos Argos S.A.	2,552	-	-	-	2,552
Zona Franca Argos S.A.S.	54,729	-	419	805	55,953
Carbones del Caribe S.A.S.	35,943	-	7	-	35,950
Logística de Transportes S.A.	13,301	44	-	-	13,345
Urbanizadora Villa Santos SAS.	3,857	-	-	-	3,857
Grupo Argos SA	-	3,678	-	-	3,678
Transatlantic Cement Carriers Inc.	-	977	-	-	977
Reforestadora del Caribe SAS.	-	709	-	6	715
Compañía de Puertos Asociados S.A.	285	-	-	-	285
Cl. del Mar Caribe BVI Inc.	-	-	-	221	221
Celsia SA E.S.P	30	42	-	-	72

2011

Company	Sales	Services	Fees	Sundry	Total outlays
Zona Franca Argos SAS.	61,477	-	450	434	62,361
Carbones del Caribe SAS.	33,924	-	-	-	33,924
Logística de Transportes S.A.	-	12,158	-	-	12,158
Transatlantic Cement Carriers Inc.	-	4,585	-	-	4,585
Sociedad Portuaria Golfo de Morrosquillo SA	-	3,595	-	-	3,595
Cl. del Mar Caribe BVI Inc.	2,207	14	-	-	2,221
Concretos Argos SA	1,077	18	-	23	1,118
Compañía Colombiana de Inversiones S.A. E.S.P	-	791	-	-	791
Reforestadora del Caribe SAS.	697	-	-	-	697
Grupo Argos SA (Formerly Inversiones Argos SA)	-	-	-	67	67

4. The Company paid fees to members of the Board of Directors amounting to \$243 (2011 \$149). No additional transactions were made with any shareholder who is the real beneficiary of 10% or more outstanding shares, board members, legal representatives, or companies where a shareholder, board member or company manager of the issuer has a stake of more than 10%. Also, no decisions were made due to influence or the interests of the parent company or any of its subsidiaries.

The following were the transactions made with shareholders, directors, legal representatives and managers:

At year-end 2012	Shareholders	Directores	Legal Representatives and Managers
ASSETS			
Accounts receivable	2,603	-	-
Total assets	2,603	-	-
REVENUES			
Professional fees	-	-	-
Services	2,335	-	-
Total revenues	2,335	-	-
OUTLAYS			
Salaries	-	-	5,311
Purchases	3,678	-	-
Professional fees	-	-	-
Total outlays	3,678	-	5,311

At year-end 2012	Shareholders	Directores	Legal Representatives and Managers
ASSETS			
Accounts receivable	8,640	-	9,480
Total assets	8,640	-	9,480
REVENUES			
Professional fees	4,652	-	-
Services	21	-	-
Various	141	-	-
Total revenues	4,814	-	-
OUTLAYS			
Salaries	-	-	5,896
Various	67	-	-
Total outlays	67	-	5,896

In some cases, accounts with legal representatives and managers are related to labor policies approved by the Board of Directors and to policies that grant benefits equally to all employees not entitled to 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 to cover family emergencies, in each case according to duly implemented policies and with the required guarantees.

NOTE 25 – CONTINGENCIES AND SUBSEQUENT EVENTS

During 2012 there were no:

1. Inspection visits by controlling agencies that resulted in warnings or sanctions.
2. Administrative, contentious or civil final and binding penalties imposed by the relevant national, departmental or municipal authorities.
3. Judgment against Company officers for events occurred in the performance of their duties in office under criminal prosecution proceedings.
4. As of the closing of December 31, 2012, provisions had been set aside for lawsuits and litigation with eventual and high probability of losses. Of these, the most significant item is related to labor lawsuits (See Note 24).

Subsequent events

In January this year the Industry and Trade Superintendence filed an appeal against a ruling in favor of the Company issued in December, 2012, revoking and reinstating rights related to Resolutions 51694 of 2008 and 0091 of 2010, in connection with an investigation on restrictive competitive practices that has been in progress since 2006.

FINANCIAL RATIOS

	2012	2011
Liquidity		
Current ratio		
Current assets/Current liabilities	0.62	0.42
Accounts receivable turnover - days		
Sales on credit/average accounts receivable for the period		
On domestic sales	29	27
On international sales	46	48
Finished product inventory turnover - days	22	7
Solvency and cover		
Debt/total assets ratios		
Including valuations	39%	26%
Without valuations	58%	56%
Profitability		
EBITDA	\$ 474,140	\$ 417,201
EBITDA Margin	26.81%	26.03%
Net income/revenues - percentage	21.92%	23.09%
Operating income/operating revenues - percentage	19.71%	17.95%

INFORMATIVE SUMMARY

	2012	2011
Equity Value		
Average Price in the Stock Exchanges	4,962.60	10,130.00
Highest Price in the Stock Exchanges (before the spin-off, April 27, 2012)	9,935	10,822
Lowest Price in the Stock Exchanges (first day after the spin-off, June 6, 2012)	12,300	10,620
	6,050	10,620
Employment		
Number of employees	1,369	1,348
Monthly average salary	5	4
Number of workers	1,378	1,372
Monthly average salary	2	2
Financial position		
Operating assets (current assets - current liabilities)	1,411,131	1,602,474
Working capital	(441,350)	(1,219,856)